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# Annual Report 2020

Pureprofile Limited ABN 37 167 522 901

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“WE HELP DECISION MAKERS TO UNDERSTAND MORE FROM THE WORLD’S DATA”

**General Information**

The financial statements cover Pureprofile Ltd. as a group consisting of Pureprofile Ltd. and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Pureprofile Ltd.'s functional and presentation currency. Pureprofile Ltd. is a listed public Company limited by shares, incorporated and domiciled in Australia. Its registered address is Level 5, 126 Phillip Street, Sydney NSW 2000. Its principal business address is Level 3, 223 Liverpool Street, Darlinghurst NSW 2010. A description of the nature of the group's operations and its principal activities are included in the directors' report, which is not part of the financial statements. The financial statements were authorised for issue in accordance with a resolution of directors, on 27 October 2020. The directors have the power to amend and reissue the financial statements.

# About Pureprofile

**PUREPROFILE PROVIDES CONSUMER INSIGHTS AND MEDIA CAMPAIGN DELIVERY TO MARKET RESEARCHERS AND BUSINESS DECISION MAKERS SO THAT THEY CAN MAKE BETTER INFORMED DECISIONS.**

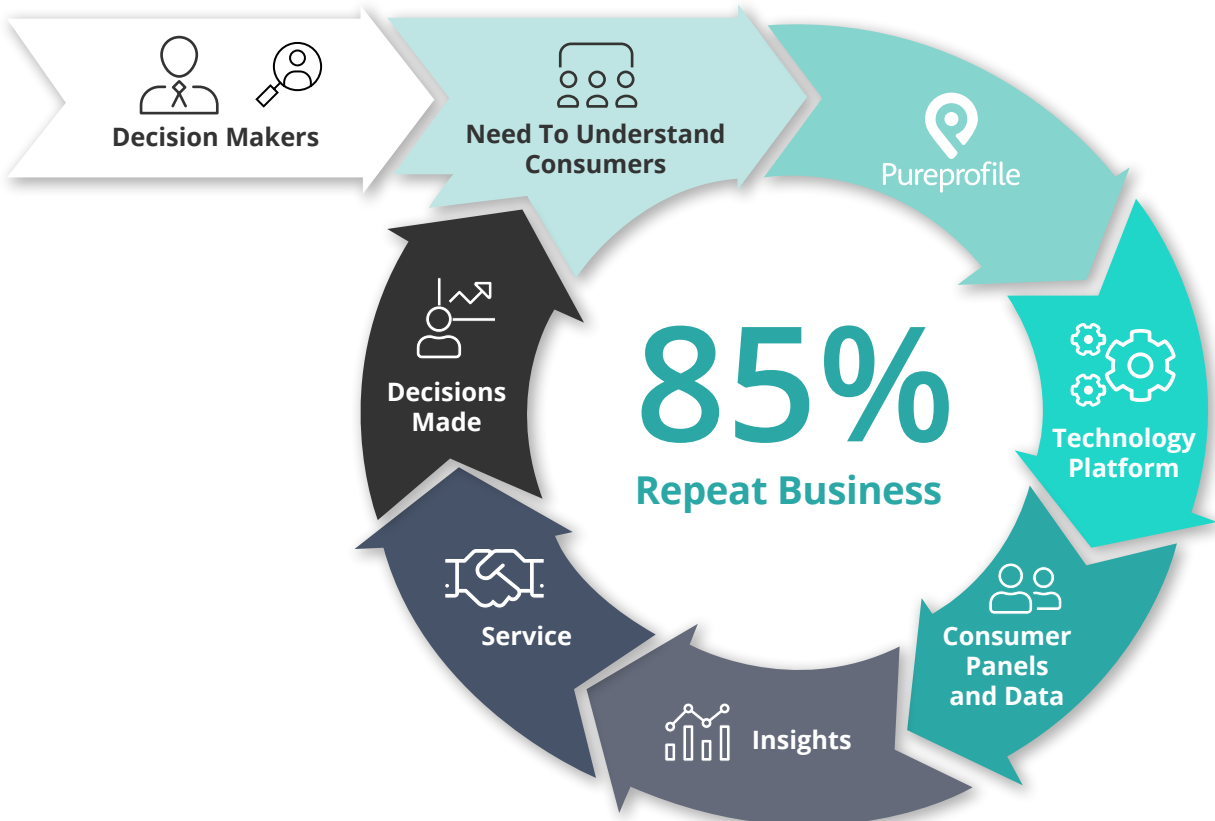
Since 2000, Pureprofile has been a pioneer in online research, digital media, insights technology and performance marketing.

Our purpose is to **connect businesses to more of the people that matter.**

By capturing declared, first-party data and leveraging deep consumer profiles, our clients gain the ability to segment, target and engage their audiences for research, marketing and advertising purposes.

In exchange, consumers receive value for their data, both as an immediate reward and through the delivery of highly relevant content and personalised experiences.

Pureprofile delivers next-generation marketing solutions for more than 600 brands, publishers and research groups worldwide.



# Our Business

20 YEARS EXPERIENCE IN RESEARCH, PROFILING AND INSIGHTS



## Data and Insights

Understand more of your customers. Make better business decisions



## Technology Platform

Market Research, Audience Creation and Activation, Customer Experience



## Self-Service Platform

Connecting organisations with our panel and consenting consumers

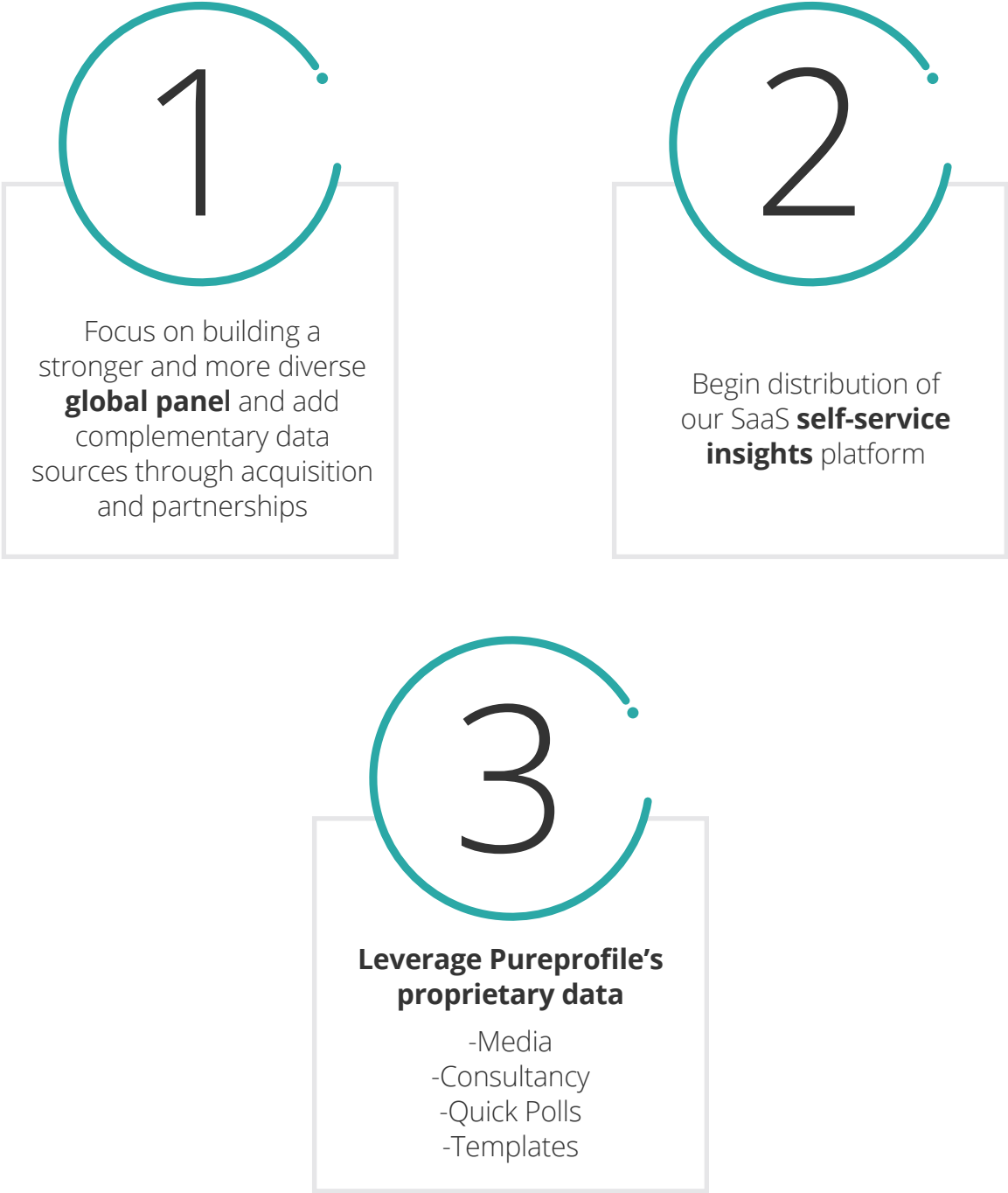


## Media

Reach more of the people that matter with engaging experiences

# Corporate Strategy

Pureprofile will continue to build on its core data and analytics assets while leveraging them through commercial applications such as the self-service platform.



## Financial Highlights



Investment in sales capability, products and tools during FY2020



Core D&I business grew revenue **3%**



NPAT loss improved by \$4.6m through decrease in non-cash write downs and the sale of loss making business units



Further expense savings of **25%** or **\$4.4m** on continuing businesses



Operating cash flow improved by **\$1.8m** through improved collection of receipts and reduction in interest payments made



New debt facility announced on 19th October 2020



Closing cash at bank of **\$1.8m** up from **\$0.5m** on pcp



Continuing EBITDA was up **197%** driven by cost savings

## Chairman and CEO's Letter



A handwritten signature in black ink, appearing to read 'A Edwards'.

**ANDREW EDWARDS**  
NON-EXECUTIVE CHAIRMAN



A handwritten signature in black ink, appearing to read 'M Filz'.

**MARTIN FILZ**  
MANAGING DIRECTOR  
AND CEO

### DEAR SHAREHOLDERS,

Before we reflect on the financial year ending 30 June 2020, it is important to take a step back and look at where this business has come from, where it stands today and where we are going in the future.

In 2018, Pureprofile set upon a turnaround strategy that is today substantially complete. Most importantly, we've defined and focused the business on data acquisition, analytics and insights. Without distractions and legacy issues, we've significantly reduced operating costs, whilst embracing innovative technologies that have allowed us to automate and give us the momentum to scale globally and profitably.

As a focused ResTech (Research Technology) offering, it was important that we structure the business as a global operation, and today, we're pleased to say that Pureprofile is enjoying tremendous growth in both the Northern and Southern hemispheres.

Since year-end FY20 two critical aspects of the business and the turnaround strategy have been completed.

First, we have appointed a new CEO and I'm delighted to be writing this shareholder letter together with Martin Filz. Martin is an industry expert and one of the most respected professionals in our industry. With Martin leading the team and joining the board we have further focused the company as a data business, we have significantly refreshed the executive team and continued to invest in technology and a business model that allows us to grow simultaneously in many markets.

The second, post year-end activity has been to recapitalise the business. Earlier this month (October 2020), Pureprofile announced that Lucerne, a long-term lender and supporter of the business, would convert the majority of the business' debt into equity, forgive a portion of that debt and provide a new loan facility for the business' growth. The business also undertook to raise fresh capital from shareholders through a Rights Issue.

The recapitalisation of Pureprofile is the final step in a turnaround strategy that leaves the company substantially unencumbered by debt, with cash in the bank and positioned for growth and expansion.

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Operationally, Pureprofile has already been performing strongly the past year. EBITDA grew from -1.7 million FY19 to \$1.6 million in FY20, and all forecasts suggest this momentum will accelerate further.

There are also two significant global “mega trends” that are shaping the world we live in today, both central to Pureprofile’s world of data acquisition, analytics and insights.

The first is the digital economy, which has been growing fast over many decades, and has received a boost in 2020 with COVID-19 effectively forcing large sectors of the global economy into online and digital-only consumer engagement.

The scale and long-term effect of this seismic shift in the flow of money through the economy and how brands reach consumers cannot be underestimated.

Second, is the rise of privacy as a central consumer right. Google’s decision to move away from cookies is the most obvious example of how our digital world will fundamentally change, not sometime in the future but today. The flow of data is and will increasingly be monitored and ensuring basic privacy rights has become a major global challenge.

Pureprofile is now strategically positioned with first party data acquisition, analysis and insights allowing us to grow revenue, margins, and profits. Importantly, we have a well-resourced and focused team with a clear and defined business model where we are capable of significantly increasing our market share in an industry that itself is growing dramatically.

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**PUREPROFILE IS NOW STRATEGICALLY POSITIONED WITH FIRST PARTY DATA ACQUISITION, ANALYSIS AND INSIGHTS ALLOWING US TO GROW REVENUE, MARGINS, AND PROFITS.**

With the team that is open to change and understands where the insights and media industry is heading it has been collective work to outline the strategy for the next 3 years. We’re delighted to be leading Pureprofile with tremendous upside and we believe investors should be similarly excited about the company’s future.

As always, we’d like to thank the board for their commitment and contribution over the year. And we’d also like to thank our talented and hard-working staff across the globe for all their efforts. To our shareholders, thank you for your continued support, we believe that FY2021 will be a year in which Pureprofile will grow from a position of strength and begin to unlock shareholder value.



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## Meet our Directors



### ANDREW EDWARDS

Non-Executive Chairman

Andrew has more than 30 years of marketing experience and, prior to joining Pureprofile, was the Chairman and CEO of internationally - renowned advertising and marketing agency Leo Burnett Group UK and President of Leo Burnett Central Europe.

Andrew also sat on its Global Executive Leadership Team with the specific remit of M&A (EMEA) and the rollout of the groups Social and Mobile Strategy.

Prior to his roles at Leo Burnett, Andrew ran Australia's most-awarded direct marketing company, Cartwright Williams.

Andrew now focusses his time on his portfolio of business interests.



### SUE KLOSE

Non-Executive Director

Sue is an experienced executive, board director and team leader, with a diverse background in digital business growth, corporate development, strategy and marketing. Previously the Chief Marketing Officer of GraysOnline, she was responsible for brand strategy, marketing operations and digital product strategy.

Prior roles in consulting and global media companies, including 12WBT and News Ltd. As Director of Digital Corporate Development for News Ltd, Sue screened hundreds of potential investments, leading multiple acquisitions, establishing the CareerOne and Carsguide joint ventures.

Sue is currently a Non-Executive Director of ASX-listed Nearmap, and mental health care provider, After-care.



### MARTIN FILZ

Managing Director and CEO

Martin is one of the most well-respected and influential individuals in the market research industry and has held senior executive roles as Managing Director of EMEA and APAC at Research Now (now a part of Dynata) and CEO of EMEA / APAC at Kantar-owned, Lightspeed GMI. He joined Pureprofile from Eureka AI, a business intelligence platform, where he was Managing Director and Chief Revenue Officer.

Martin is active in digital and research bodies including the Association of Market and Social Research Organisations (AMRSO), ESOMAR, the Australian Market and Social Research Society (AMSRS), and the Interactive Advertising Bureau (IAB).

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# Directors' Report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of Pureprofile Ltd (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2020.

### Directors

The following persons were directors of Pureprofile Ltd during the whole of the financial year and up to the date of this report, unless otherwise stated:

- Andrew Edwards - Non-Executive Chairman (formerly Non-Executive, appointed Executive on 28 August 2019 and re-appointed Non-Executive on 2 September 2020)
- Sue Klose - Non-Executive Director
- Marin Filz - Chief Executive Officer and Managing Director (appointed Chief Executive Officer on 3 August 2020 and appointed Managing Director on 2 September 2020)
- Marin Nania - Non-Executive Director (appointed on 28 August 2019 and resigned on 2 September 2020)
- Nick Jones - Managing Director and Chief Executive Officer (resigned on 28 August 2019)

### Principal activities

During the financial year the principal continuing activities of the group consisted of the provision of profile marketing and insights technology services.

### Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

### Review of operations

The loss for the group after providing for income tax amounted to \$9,829,481 (30 June 2019: \$14,460,042).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') for the financial year amounted to a profit of \$1,401,152 (30 June 2019: loss of \$713,742).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-specific non-cash and significant items.

The following table summarises key reconciling items between statutory loss after income tax and EBITDA:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(9,829,481)	(14,460,042)
Add: Depreciation and amortisation	4,350,338	3,803,103
Add: Impairment of assets	2,107,127	2,453,010
Add: Loss on disposal of intangible assets	625,027	1,027,054
Add: Derecognition of goodwill on disposal of businesses	-	3,500,000
Less: Interest income	(105)	(3,246)
Add: Finance costs	4,130,173	2,522,508
Less: Income tax expense/(benefit)	18,073	443,871
<b>EBITDA</b>	<b><u>1,401,152</u></b>	<b><u>(713,742)</u></b>

The group has adopted Accounting Standard AASB 16 'Leases' for the year ended 30 June 2020 using the modified retrospective approach and as such the comparatives have not been restated. As a result of adopting AASB 16, EBITDA has improved in the current period. Operating expenses are now replaced by depreciation and finance costs in profit or loss.

Total statutory revenue for FY2020 was \$24.2m, a decline of 36% on prior comparable period ('pcp') (FY2019: \$37.8m). However, the decline was largely due to the group not having the benefit of full-year results of the Media Trading and Performance (ANZ) businesses, which were sold in October 2018 and March 2019 respectively. Additionally, COVID-19 negatively impacted all business units in Q4 of FY2020.

On a continuing business basis, total revenue was \$25.1m, a 7% decrease on pcp (FY2019: \$27m). Revenue was impacted by COVID19 in Q4 FY2020. This resulted in the continued Media and Performance business declining on pcp and growth in the core Data and Insights business improving slightly with a 3% increase on pcp.

Gross margin remained stable at 58%. Other operating expenses were \$13m, a 25% decrease on pcp (FY2019: \$17.4m). This was achieved due to the success of the cost restructuring program implemented in prior years. During FY2020, the Executive team was restructured and other savings were realised through automation of business processes, technology rationalisation and occupancy.

The reduction in operating expenses during FY2020 had a positive impact on EBITDA on continuing businesses, which improved by 197%, up from (\$1.7m) in FY2019 to \$1.6m in FY2020. Statutory net profit (loss) after tax was also improved by 12% (FY2020: (\$9.8m); FY2019: (\$14.5m)), largely due to the sale of loss making business units and any associated non-cash write-downs of intangibles that were recognised in FY2019.

### Significant changes in the state of affairs

The following significant changes in the state of affairs occurred during the year:

- Board resignations: Mr Nic Jones, Managing Director and Chief Executive Officer, resigned from the Board on 28 August 2019.
- Debt facilities: the group agreed amended terms on its existing debt facility with Lucerne Finance Pty Ltd ('Lucerne'). Under the revised terms, the group extended the maturity date to 1 April 2021 and secured an increase in the line of credit for Facility C to \$7,000,000. Additionally, all facility covenants were removed. There are no other financial covenants under the Facility. The Facility was further amended on 19 October 2020 (for further information, see below).

There were no other significant changes in the state of affairs of the group during the financial year.

### Transactions subsequent to the end of the financial year

On 19 October 2020, the group announced to the ASX that it was undertaking a fully underwritten renounceable pro-rata entitlement offer of 8 shares for every 1 share held by eligible shareholders to raise up to \$18,804,170 (before expenses and subject to rounding) (the Entitlement Offer) and the group intended to use the proceeds of the Entitlement Offer as follows:

- significantly restructure its balance sheet by converting a large proportion of the group's debt to equity;
- partially pay down the group's existing debt to \$3,000,000;
- inject further funds into the sales team and global panel partnership;
- commercialisation of the group's technology;
- provide working capital for the group; and
- pay the costs of the Entitlement Offer.

On 19 October 2020, the group and its existing lender, Lucerne, entered into a new agreement in respect of its debt facility (the New Facility), which is conditional on the completion of the Entitlement Offer outlined above.

Key terms of the agreement:

- **Debt forgiveness** - following completion of the Entitlement Offer and allocation of funds under that offer against the existing debt, the remaining balance of the facilities (~ \$7,300,000 of debt as at 30 September 2020) will be forgiven;
- **New \$3,000,000 Facility** - replacing the previous facilities will be a new, fully-drawn \$3,000,000 loan facility;
- **Interest on New Facility** - interest rate of 8.5% per annum (payable quarterly);
- **Maturity of New Facility** - 3 years from the date of completion of the Entitlement Offer and payable in advance at the group's discretion;
- **No performance covenants** - the New Facility does not contain business performance covenants; and
- **Performance rights cancelled** - the performance rights that were previously issued to Lucerne have been cancelled.

The New Facility is subject to warranties, indemnities, fees and default fees and terms, which the group considers usual for a transaction of this size and scope.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

### Likely developments and expected results of operations

Information on likely developments in the operations of the group and the expected results of operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the group.

The group will continue to build on its core Data and Analytics assets while leveraging them through commercial applications such as its self-service platform. The group's corporate strategy is three-fold:

- (1) Focus on building a stronger and more diverse global panel and add complementary data sources through acquisition and partnerships.
- (2) Begin distribution of our SaaS self-service insights platform.
- (3) Leverage Pureprofile's proprietary data.

Although the economic outlook for the year ahead is uncertain, we will focus on the execution of our corporate strategy and investment to drive earnings growth and positive cash flows from operating activities.

### Environmental regulation

The group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

### Information on directors

Name:	Andrew Edwards
Title:	Non-Executive Chairman
Experience and expertise:	Andrew has more than 30 years of marketing experience behind him. Most recently, he was Chairman and CEO of internationally-renowned advertising and marketing agency Leo Burnett Group UK and President of Leo Burnett Central Europe. Andrew joined Leo Burnett as the Global Discipline Lead for DM and CRM of Arc in 2003 and was soon promoted to Managing Director of Leo Burnett Sydney, incorporating Arc. During his tenure, the agency topped the new business league, and in September 2005, Leo Burnett/Arc was voted Australia's number one agency. For over 10 years, Andrew was appointed to several senior roles within the company, including President of Arc for the EMEA region, Chairman of Arc UK and Deputy Chairman of the Leo Burnett Group London, before becoming CEO of the UK Group in November 2007 and Chairman in December 2010. Andrew was a member of the Global Executive Board and was tasked to drive Leo Burnett's Global Strategy for Social and Mobile and Acquisitions in EMEA. Prior to his roles for Leo Burnett and Arc, Andrew ran Australia's most-awarded Database and Direct Marketing company, Cartwright Williams. Andrew now focuses his time on his growing portfolio of business interests.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit Committee and Chairman of the Nomination and Remuneration Committee
Interests in shares:	984,691 ordinary shares
Interests in options:	None
Interests in rights:	None
Contractual rights to shares:	None

**Name:** Sue Klose  
**Title:** Non-Executive Director  
**Qualifications:** Sue has an MBA in Finance, Strategy and Marketing from the JL Kellogg School of Management at Northwestern University, and a Bachelor of Science in Economics from the Wharton School of the University of Pennsylvania.  
**Experience and expertise:** Sue is an experienced executive, board director and team leader, with a diverse background in digital business growth, corporate development, strategy and marketing. Previously the Chief Marketing Officer of GraysOnline, Sue was responsible for brand strategy, marketing operations and digital product strategy.  
  
In prior roles in consulting and global media companies, including 12WBT and News Ltd, Sue has led strategic planning and development and is passionate about helping teams continually seek new opportunities for growth and innovation. As Director of Digital Corporate Development for News Ltd, Sue screened hundreds of potential investments, leading multiple acquisitions, establishing the CareerOne and Carsguide joint ventures, and holding multiple board roles in high-growth digital and SaaS business.  
**Other current directorships:** Non-Executive Director of Nearmap (ASX: NEA)  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of the Audit Committee and Member of the Nomination and Remuneration Committee  
**Interests in shares:** None  
**Interests in options:** None  
**Interests in rights:** None  
**Contractual rights to shares:** None

**Name:** Martin Filz  
**Title:** Chief Executive Officer (appointed on 3 August 2020) and Managing Director (appointed 2 September 2020)  
**Qualifications:** Institutional Management - Northampton College  
**Experience and expertise:** Martin is one of the most well-respected and influential individuals in the market research industry and has held senior executive roles as Managing Director of EMEA & APAC at Research Now (now a part of Dynata) and CEO of EMEA / APAC at Kantar-owned, Lightspeed GMI. Most recently Martin was the Managing Director and Chief Revenue Officer of Eureka AI, a business intelligence platform, which generates actionable insights from mobile data.  
**Other current directorships:** None  
**Former directorships (last 3 years):** None  
**Special responsibilities:** None  
**Interests in shares:** None  
**Interests in options:** None  
**Interests in rights:** None

Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### Company secretary

Kohei Katagiri was appointed Company Secretary on 1 May 2018. Kohei is an admitted solicitor and holds a Bachelor of Arts (Psychology) / Bachelor of Laws from Macquarie University, and a Graduate Diploma in Taxation and a Master of Laws from the University of Sydney. He is an associate member of the Governance Institute of Australia.

### Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2020, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Andrew Edwards	11	11	-	-	1	1
Nic Jones	3	4	-	-	-	-
Sue Klose	11	11	-	-	1	1
Aaron Nania	6	7	-	-	1	1

The number of meetings held during the time the director held office.

### Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional disclosures relating to key management personnel

#### Principles used to determine the nature and amount of remuneration

The objective of the group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Nomination and Remuneration Committee is responsible for reviewing and making recommendations to the Board on remuneration packages and policies relating to the directors and executives and to ensure that the remuneration policies and practices are consistent with the group's strategic goals and human resource objectives.

In consultation with external remuneration consultants who were engaged in previous financial years, the Nomination and Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the group.

The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

#### *Non-executive directors' remuneration*

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Nomination and Remuneration Committee. The Nomination and Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market. The chairman's fees are determined independently to the fees of other non-executive directors based on comparative roles in the external market. The chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive directors do not receive short-term incentives and their remuneration must not include a commission on, or a percentage of, operating revenue.

Stock listing rules require the aggregate non-executive directors remuneration be determined periodically by a general meeting. Under the company's constitution and as set out in the IPO Prospectus, total aggregate remuneration available to non-executive directors is set currently at \$600,000 per annum. Non-executive director fees (directors' fees and committee fees, inclusive of superannuation) proposed for the year ending 30 June 2021 are summarised as follows:

Name	FY 2021 Fees
Sue Klose	\$64,167
Andrew Edwards*	\$120,450

\* Reverted to Non-Executive Chairman on 2 September 2020.

All directors are also eligible for additional long term incentives under the company's Long Term Incentive plan ('LTI'). The company from time to time grant director share options under the LTI. Refer to Long Term Incentives section below for key terms and conditions of the LTI.

#### *Executive remuneration*

The group aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- share-based payments; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration. The remuneration packages for executives are considered by the Nomination and Remuneration Committee and approved by the Board. At the absolute discretion of the Nomination and Remuneration Committee, the company may seek external advice on the appropriate level and structure of remuneration packages from time to time.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Nomination and Remuneration Committee, based on individual and business unit performance, the overall performance of the group and comparable market remuneration.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the group and provides additional value to the executive.



The short-term incentives ('STI') program is designed to align the targets of the business units with the performance objectives of executives. Under the STI, eligible executives may be offered cash incentives ('rewards') which may be subject to vesting conditions set by the Board. Each offer of rewards under the STI is, or will be, on the terms generally described as follows:

- the Board will determine the total dollar amount of the STI, calculated as a percentage of their salary package;
- the payment (or part payment) of the STI will be subject to fulfilment (or part fulfilment) of performance conditions set by the Board;
- any STI that becomes payable will be paid in cash and, at the discretion of the Board, by the grant of rights to receive shares ('service rights') of equivalent value (as determined by the Board at the time of grant);
- if granted, the service rights will vest 13 months from grant date provided that the eligible employee is still employed by the company at the vesting date;
- on vesting employees will receive the shares that are subject to the service rights without payment of any exercise price;
- service right holders are not entitled to participate in new issues of shares or other securities made by the company to holders of shares without receiving the shares that are subject to the service rights before the record date for the relevant issue;
- if, prior to the receipt of shares that are subject to the service right, the company makes a pro rata bonus issue to the holders of its shares, and the shares that are subject to the service right are not issued prior to the record date in respect of that bonus issue, the service right will, when vested, entitle the holder to one share plus the number of bonus shares which would have been issued to the holder if the shares that are subject to the service right had been issued prior to the record date; and
- if, prior to the receipt of shares that are subject to the service right, the company undergoes a reorganisation of capital (other than by way of a bonus issue for cash), the terms of the service rights will be changed to the extent necessary to comply with the ASX Listing Rules as they apply at the relevant time.

The long-term incentives include long service leave and share-based payments. The company has adopted a long term incentive plan ('LTI') in order to assist in the motivation and retention of key staff. The LTI is designed to align the interest of eligible executives and employees more closely with the interests of the shareholders by providing an opportunity for eligible executives and employees to receive an equity interest in the company.

Under the LTI, eligible executives and employees may be given options to acquire shares which may be subject to vesting conditions set by the Board. Each grant of options under the LTI is, or will be, on the terms generally described as follows:

- the Board will determine the number of options to be granted to each eligible employee;
- options will vest progressively over the periods which were determined by the Board at the time of the grant;
- the expiration date will be determined by the Board at the time of the grant;
- the exercise price is set by the Board at the time of the grant;
- options holders are not entitled to participate in new issues of shares or other securities made by the company to holders of shares without exercising the options before the record date for the relevant issue;
- if, prior to the exercise of an option, the company makes a pro rata bonus issue to the holders of its shares, and the option is not exercised prior to the record date in respect of that bonus issue, the option will, when vested, entitle the holder to one share plus the number of bonus shares which would have been issued to the holder if the option had been exercised prior to the record date; and
- if, prior to the exercise of an option, the company undergoes a reorganisation of capital (other than by way of a bonus issue for cash), the terms of the options will be changed to the extent necessary to comply with the ASX Listing Rules as they apply at the relevant time.

#### *Group performance and link to remuneration*

Remuneration for certain individuals is directly linked to the performance of the group. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee is of the opinion that the adoption of performance based compensation will have a positive impact on its earnings, which in turn will have a positive impact on its share price. This is expected to increase shareholder wealth if maintained over the coming years.

#### *Consequences of performance on shareholder wealth*

In considering the group's performance and benefits to shareholder wealth, the remuneration committee has had regard to the share price in respect of the current financial year and the previous three financial years.

	2020	2019	2018
Share price	\$0.006	\$0.010	\$0.140

#### Use of remuneration consultants

During the financial year ended 30 June 2020, the company did not engage remuneration consultants to review its existing remuneration policies and provide recommendations on how to improve both the STI and LTI programs.

#### Voting and comments made at the company's 2019 Annual General Meeting ('AGM')

At the 2019 AGM, 96.7% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2019. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

#### Details of remuneration

##### Amounts of remuneration

Details of the remuneration of key management personnel of the group are set out in the following tables.

The key management personnel of the group consisted of the following directors of Pureprofile Ltd:

- Andrew Edwards - Executive Chairman (appointed Executive on 28 August 2019 and re-appointed Non-Executive on 2 September 2020)
- Sue Klose - Non-Executive Director
- Aaryn Nania - Non-Executive Director (appointed on 28 August 2019 and resigned 2 September 2020)
- Nic Jones - Managing Director and Chief Executive Officer (resigned 28 August 2019)

and the following person:

- Melinda Sheppard - Chief Operating Officer/Chief Financial Officer

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Other	Super-annuation	Employee leave	Equity-settled*	
	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors:</b>							
S. Klose	78,618	-	-	4,049	-	-	82,667
A. Nania*	32,690	-	-	3,106	-	-	35,796
<b>Executive Directors:</b>							
A. Edwards	120,500	-	-	7,600	-	-	128,100
N. Jones*	184,951	-	-	15,402	-	-	200,353
<b>Other Key Management Personnel:</b>							
M. Sheppard	236,250	-	-	22,444	-	-	258,694
	<u>653,009</u>	<u>-</u>	<u>-</u>	<u>52,601</u>	<u>-</u>	<u>-</u>	<u>705,610</u>

\* Represents remuneration from the date of appointment and/or to the date of resignation

2019

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees \$	Cash bonus \$	Other \$	Super-annuation \$	Employee leave \$	Equity-settled* \$	
<i>Non-Executive Directors:</i>							
S. Klose*	53,273	-	-	5,061	-	-	58,334
C. Rosenberg*	52,500	-	-	-	-	-	52,500
M. Ulvert*	32,083	-	-	-	-	-	32,083
<i>Executive Directors:</i>							
A. Edwards	120,000	-	-	11,400	-	-	131,400
N. Jones*	417,469	-	-	20,531	-	-	438,000
<i>Other Key Management Personnel:</i>							
M. Sheppard	275,119	-	-	20,531	-	-	295,650
	<u>950,444</u>	<u>-</u>	<u>-</u>	<u>57,523</u>	<u>-</u>	<u>-</u>	<u>1,007,967</u>

\* Represents remuneration from the date of appointment and/or to the date of resignation

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration 2020	2019	At risk - STI 2020	At risk - LTI 2020
<i>Non-Executive Directors:</i>				
S. Klose	100%	100%	-	-
A. Mania	100%	-	-	-
C. Rosenberg	-	100%	-	-
M. Ulvert	-	100%	-	-
<i>Executive Directors:</i>				
A. Edwards	100%	100%	-	-
N. Jones	100%	100%	-	-
<i>Other Key Management Personnel:</i>				
M. Sheppard	100%	100%	-	-

### Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Andrew Edwards  
Title: Non-Executive Chairman  
Agreement commenced: 12 June 2015  
Term of agreement: Appointment until next Annual General Meeting, at which he will be eligible for re-election

Details: Base salary for the year ended 30 June 2020 of \$120,000 plus superannuation, to be reviewed from time to time by the Nomination and Remuneration Committee in accordance with constitution and policies and eligibility to short-term and long-term incentives under the Incentives Scheme, which defines the amount, form, frequency, KPIs and targets to which the incentives relate. As from March 2020, consistent with the group's COVID-19 cost saving measures, Andrew has stopped receiving director fees voluntarily for the remainder of the financial year. The base salary has been reinstated from August 2020, after the group has seen its recovery from the pandemic. From 12 August 2019, Andrew has also received an additional \$1,500 per week for additional services provided to the group. This has ceased from March 2020.

Name: Sue Klose  
Title: Non-Executive Director  
Agreement commenced: 1 September 2018  
Term of agreement: Appointment until next Annual General Meeting, at which she will be eligible for re-election

Details: Base salary of \$70,000 for the year ended 30 June 2020 plus superannuation, to be reviewed from time to time by the Nomination and Remuneration Committee in accordance with constitution and policies. Eligibility to long-term incentives under the Incentives Scheme, which defines the amount, form, frequency, KPIs and targets to which the incentives relate. As from March 2020, consistent with the group's COVID-19 cost saving measures, Sue has stopped receiving director fees voluntarily for the remainder of the financial year. The base salary has been reinstated from August 2020, after the group has seen its recovery from the pandemic. From 1 September 2019, Sue has also received an additional \$1,500 per week for additional services provided to the group. This has ceased from March 2020.

Name: Martin Filz  
Title: Chief Executive Officer and Managing Director  
Agreement commenced: 3 August 2020  
Term of agreement: No fixed end date

Details: Base salary of \$273,750 including superannuation, to be reviewed from time to time by the Nomination and Remuneration Committee in accordance with constitution and policies. Reimbursement of reasonable out-of-pocket expenses incurred in connection with the performance of duties. 3 month termination notice period by either party. Eligibility to short-term and long-term incentives, under the Incentives Scheme, which defines the amount, form, frequency, KPI's and targets to which the incentives relate.

Name: Melinda Sheppard  
 Title: Chief Operating Officer/Chief Financial Officer  
 Agreement commenced: 25 June 2018  
 Term of agreement: No fixed end date  
 Details: Base salary for the year ended 30 June 2020 of \$275,000 plus superannuation, to be reviewed from time to time by the Nomination and Remuneration Committee in accordance with constitution and policies. Reimbursement of reasonable out-of-pocket expenses incurred in connection with the performance of duties. 3 month termination notice period by either party. Eligibility to short-term incentive reward of up to \$151,250 and eligibility to long-term incentives, under the Incentives Scheme, which defines the amount, form, frequency, KPIs and targets to which the incentives relate. As from April 2020, consistent with the group's COVID-19 cost saving measures, Melinda has voluntarily taken a temporary 50% salary cut in Q4 FY20 and 20% salary cut in Q1 FY21. The salary has been reinstated to normal from October 2020, after the group has seen its recovery from the pandemic.

All management personnel have no entitlement to termination payments in the event of removal for misconduct.

### Share-based compensation

#### Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020 (2019: nil).

#### Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2020.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020.

#### Service rights

There were no service rights over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2020.

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2020.

### Additional disclosures relating to key management personnel

#### Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other*	Balance at the end of the year
<i>Ordinary shares</i>					
Andrew Edwards	984,691	-	-	-	984,691
Nick Jones	1,067,548	-	-	(1,067,548)	-
	<u>2,052,239</u>	<u>-</u>	<u>-</u>	<u>(1,067,548)</u>	<u>984,691</u>

Disposals/other represents a member no longer being designated as a KMP and does not represent a disposal of holding.

#### Option holding

The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the group, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Expired	Disposals/ other*	Balance at the end of the year
<i>Options over ordinary shares</i>					
Andrew Edwards	400,000	-	(400,000)	-	-
	400,000	-	(400,000)	-	-

\* Disposals/other represents a member no longer being designated as a KMP and does not represent a disposal of holding.

#### Other transactions with key management personnel and their related parties

During the financial year, expenses totalling \$2,612 (2019: \$7,098) were reimbursed to key management personnel.

***This concludes the remuneration report, which has been audited.***

#### Shares under option

There were no unissued ordinary shares of Pureprofile Ltd under option outstanding at the date of this report.

#### Shares issued on the exercise of options

There were no ordinary shares of Pureprofile Ltd issued on the exercise of options during the year ended 30 June 2020 and up to the date of this report.

#### Shares under service rights

There were no unissued ordinary shares of Pureprofile Ltd under service rights outstanding at the date of this report.

#### Shares issued on the exercise of service rights

There were no ordinary shares of Pureprofile Ltd issued on the exercise of service rights during the year ended 30 June 2020 and up to the date of this report.

#### Shares under performance rights

There were no unissued ordinary shares of Pureprofile Ltd under retention rights outstanding at the date of this report.

#### Shares issued on the exercise of performance rights

There were no ordinary shares of Pureprofile Ltd issued on the exercise of performance rights during the year ended 30 June 2020 and up to the date of this report.

#### Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

#### Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

#### Non-audit services

There were no non-audit services provided during the financial year by the auditor.

#### Officers of the company who are former partners of Grant Thornton

There are no officers of the company who are former partners of Grant Thornton.

#### Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in the Directors' Report and Financial Report have been rounded to the nearest dollar.

#### Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

#### Auditor

Grant Thornton continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Andrew Edwards  
Non-Executive Chairman

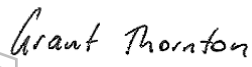
27 October 2020  
Sydney

## Auditor's Independence Declaration

To the Directors of Pureprofile Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Pureprofile Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



S M Coulton  
Partner – Audit & Assurance

Sydney, 27 October 2020

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Grant Thornton Audit Pty Ltd ACN 130 913 594  
subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

[www.grantthornton.com.au](http://www.grantthornton.com.au)

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Pureprofile Ltd  
Statement of profit or loss and other comprehensive income  
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	Consolidated 2019 \$
<b>Revenue from continuing operations</b>	5	24,186,722	26,734,213
Other income	6	899,243	232,055
Interest revenue calculated using the effective interest method		105	1,145
<b>Expenses</b>			
Direct costs of revenue		(10,507,493)	(11,263,048)
Employee benefits expense		(8,995,359)	(11,037,117)
Foreign exchange loss		-	(360,666)
Depreciation and amortisation expense	7	(4,350,338)	(3,439,595)
Impairment of goodwill		(2,107,127)	-
Losses on disposal of intangible assets		(625,027)	(424,665)
Technology, engineering and licence fees		(2,116,084)	(2,637,564)
Occupancy costs		(326,859)	(1,408,087)
Other expenses		(1,568,018)	(1,931,355)
Finance costs	7	(4,130,173)	(2,377,093)
<b>Loss before income tax expense from continuing operations</b>		(9,640,408)	(7,911,777)
Income tax expense	8	(18,073)	(443,871)
Loss after income tax expense from continuing operations		(9,658,481)	(8,355,648)
Loss after income tax expense from discontinued operations	9	(171,000)	(6,104,394)
<b>Loss after income tax expense for the year attributable to the owners of Pureprofile Ltd</b>		(9,829,481)	(14,460,042)
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(32,900)	36,356
Other comprehensive loss for the year, net of tax		(32,900)	36,356
<b>Total comprehensive loss for the year attributable to the owners of Pureprofile</b>		<u>(9,862,381)</u>	<u>(14,423,686)</u>
Total comprehensive loss for the year is attributable to:			
Continuing operations		(9,691,381)	(8,319,292)
Discontinued operations		(171,000)	(6,104,394)
		<u>(9,862,381)</u>	<u>(14,423,686)</u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Pureprofile Ltd  
Statement of profit or loss and other comprehensive income  
For the year ended 30 June 2020

	Note	Consolidated 2020 \$ Cents	2019 \$ Cents
<b>Loss per share for loss from continuing operations attributable to the owners of Pureprofile Ltd</b>			
Basic earnings per share	38	(8.22)	(7.02)
Diluted earnings per share	38	(8.22)	(7.02)
<b>Loss per share for loss from discontinued operations attributable to the owners of Pureprofile Ltd</b>			
Basic earnings per share	38	(0.15)	(5.13)
Diluted earnings per share	38	(0.15)	(5.13)
<b>Loss per share for loss attributable to the owners of Pureprofile Ltd</b>			
Basic earnings per share	38	(8.36)	(12.15)
Diluted earnings per share	38	(8.36)	(12.15)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Pureprofile Ltd  
Statement of financial position  
As at 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	1,768,401	524,322
Trade and other receivables	11	3,717,695	6,413,738
Contract assets	12	402,593	412,903
Other	13	797,253	688,267
<b>Total current assets</b>		<b>6,685,942</b>	<b>8,039,230</b>
<b>Non-current assets</b>			
Property, plant and equipment	14	187,540	222,226
Right-of-use assets	15	2,374,240	-
Intangibles	16	7,434,547	11,121,341
<b>Total non-current assets</b>		<b>9,996,327</b>	<b>11,343,567</b>
<b>Total assets</b>		<b>16,682,269</b>	<b>19,382,797</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	5,956,450	8,509,075
Contract liabilities	19	377,687	331,421
Borrowings	20	24,392,384	17,245,355
Lease liabilities	21	489,534	-
Income tax		40,275	95,174
Provisions	22	2,015,580	1,997,449
<b>Total current liabilities</b>		<b>33,271,910</b>	<b>28,178,474</b>
<b>Non-current liabilities</b>			
Lease liabilities	23	2,024,027	-
Provisions	24	124,958	80,568
<b>Total non-current liabilities</b>		<b>2,148,985</b>	<b>80,568</b>
<b>Total liabilities</b>		<b>35,420,895</b>	<b>28,259,042</b>
<b>Net liabilities</b>		<b>(18,738,626)</b>	<b>(8,876,245)</b>
<b>Equity</b>			
Issued capital	25	41,461,502	41,461,502
Reserves	26	237,659	270,559
Accumulated losses		(60,437,787)	(50,608,306)
<b>Total deficiency in equity</b>		<b>(18,738,626)</b>	<b>(8,876,245)</b>

The above statement of financial position should be read in conjunction with the accompanying notes

Pureprofile Ltd  
Statement of changes in equity  
For the year ended 30 June 2020

Consolidated

	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2018	41,803,151	234,203	(36,148,264)	5,889,090
Loss after income tax expense for the year	-	-	(14,460,042)	(14,460,042)
Other comprehensive income for the year, net of tax	-	36,356	-	36,356
Total comprehensive loss for the year	-	36,356	(14,460,042)	(14,423,686)
<i>Transactions with owners in their capacity as owners:</i>				
Share buy-back	(341,649)	-	-	(341,649)
Balance at 30 June 2019	<u>41,461,502</u>	<u>270,559</u>	<u>(50,608,306)</u>	<u>(8,876,245)</u>

Consolidated

	Issued capital \$	Reserves \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2019	41,461,502	270,559	(50,608,306)	(8,876,245)
Loss after income tax expense for the year	-	-	(9,829,481)	(9,829,481)
Other comprehensive loss for the year, net of tax	-	(32,900)	-	(32,900)
Total comprehensive loss for the year	-	(32,900)	(9,829,481)	(9,862,381)
Balance at 30 June 2020	<u>41,461,502</u>	<u>237,659</u>	<u>(60,437,787)</u>	<u>(18,738,626)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Pureprofile Ltd  
Statement of cash flows  
For the year ended 30 June 2020

	Note	Consolidated 2020 \$	2019 \$
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		28,878,388	44,802,722
Payments to suppliers and employees (inclusive of GST)		(27,359,407)	(42,797,944)
		1,518,981	2,004,778
Receipts from Government grant		234,000	-
Interest received		105	3,246
Interest and other finance costs paid		(255,653)	(2,226,449)
Income taxes paid		(75,064)	(152,357)
Net cash from/(used in) operating activities	40	1,422,369	(370,782)
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	14	(30,387)	(52,848)
Payments for intangibles	16	(2,375,521)	(2,742,282)
Proceeds from disposal of business	9	-	650,000
Proceeds from disposal of intangibles		-	9,354
Net cash used in investing activities		(2,405,908)	(2,135,776)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		5,600,000	4,400,000
Repayment of borrowings		(2,069,339)	(3,883,147)
Repayment of lease liabilities		(1,267,371)	-
Net cash from financing activities		2,263,290	516,853
Net increase/(decrease) in cash and cash equivalents		1,279,751	(1,989,705)
Cash and cash equivalents at the beginning of the financial year		524,322	2,481,770
Effects of exchange rate changes on cash and cash equivalents		(35,672)	32,257
Cash and cash equivalents at the end of the financial year	10	1,768,401	524,322

The above statement of cash flows should be read in conjunction with the accompanying notes

## Note 1. General information

The financial statements cover Pureprofile Ltd as a group consisting of Pureprofile Ltd and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Pureprofile Ltd's functional and presentation currency.

Pureprofile Ltd is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

### Registered office

Level 5  
126 Phillip Street  
Sydney NSW 2000  
Australia

### Principal place of business

Level 3  
223 Liverpool Street  
Darlinghurst NSW 2010  
Australia

A description of the nature of the group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 27 October 2020. The directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New or amended Accounting Standards and Interpretations adopted

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

With the exception of AASB 2020-4 Amendment to Australian Accounting Standards - Covid-19 - Related Rent Concessions, any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the group:

#### *Interpretation 23 Uncertainty over Income Tax*

The group has adopted Interpretation 23 from 1 July 2019. The interpretation clarifies how to apply the recognition and measurement requirements of AASB 112 'Income Taxes' in circumstances where uncertain tax treatments exist. The interpretation requires: the group to determine whether each uncertain tax treatment should be treated separately or together, based on which approach better predicts the resolution of the uncertainty; the group to consider whether it is probable that a taxation authority will accept an uncertain tax treatment; and if the group concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, it shall reflect the effect of uncertainty in determining the related taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates, measuring the tax uncertainty based on either the most likely amount or the expected value. In making the assessment it is assumed that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations. Interpretation 23 was adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact of adoption on opening accumulated losses as at 1 July 2019.

**Note 2. Significant accounting policies (continued)**

**AASB 16 Leases**

The group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

When adopting AASB 16 from 1 July 2019, the group has applied the following practical expedients:

- applying a single discount rate to the portfolio of leases with reasonably similar characteristics;
- accounting for leases with a remaining lease term of 12 months as at 1 July 2019 as short-term leases;
- excluding any initial direct costs from the measurement of right-of-use assets;
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease; and
- not apply AASB 16 to contracts that were not previously identified as containing a lease.

**Impact of adoption**

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on the statement of financial position as at 1 July 2019 was as follows (increase/(decrease)):

	1 July 2019 \$
<b>Assets</b>	
Right-of-use assets (AASB 16)	2,937,297
Total assets	<u>2,937,297</u>
<b>Liabilities</b>	
Lease liabilities - current (AASB 16)	795,702
Lease liabilities - non-current (AASB 16)	2,446,479
Lease incentive liability (AASB 117)	(304,884)
Total liabilities	<u>2,937,297</u>
<b>Equity</b>	
Accumulated losses	-
Total equity	<u>-</u>

Reconciliation from operating lease commitments disclosure at 30 June 2019 to the right-of-use assets at 1 July 2019:

	1 July 2019 \$
Operating lease commitments as at 30 June 2019 (AASB 117)	5,732,875
Reverse of lease commitments due to revised lease term and incentive received	(1,602,825)
Adjustment for foreign currency differences	129,806
Operating lease commitments discount based on the weighted average incremental borrowing rate between 9.00% - 11.00% (AASB 16)	(1,093,842)
Short-term leases not recognised as a right-of-use asset (AASB 16)	<u>(228,717)</u>
Right-of-use asset recognised at 1 July 2019	<u><u>2,937,297</u></u>

## Note 2. Significant accounting policies (continued)

### AASB 2020-4 Amendment to Australian Accounting Standards - Covid-19-Related Rent Concessions

The group has early adopted the amendment to AASB 16 from 1 July 2019. The amendment provides a practical expedient for lessees to account for COVID-19-related rent concessions that: result in lease payments that are substantially the same as, or less than, the consideration for the lease immediately prior to the change; where any reduction in the lease payments affects only payments originally due on or before 30 June 2021; and where there is no substantive change to other terms and conditions of the lease. The practical expedient allows an entity not to assess rent concessions meeting the criteria as a lease modification. As a result, to the extent that lease concessions represent a forgiveness or waiver of lease payments, such concessions are treated as variable lease payments recognised in profit or loss with a corresponding adjustment to the lease liability. To the extent that the lease concession in substance represents a delay in lease repayments such that lease consideration is not changed, the lease liability is not extinguished. Interest continues to accrue for that period. The group has applied the practical expedient to all rent concessions that meet the above mentioned criteria.

### Going concern

The directors have prepared the financial statements on a going concern basis, which contemplates continuity of normal activities and realisation of assets and settlement of liabilities in the normal course of business.

The group incurred a loss after income tax of \$9,829,481 (2019: loss after income tax of \$14,460,042) and was in a net current liability position of \$26,585,968 (2019: \$20,139,244). The group generated positive cash flows from operations of \$1,422,369 (2019: negative cash flows from operations of \$370,782).

The directors believe that there are reasonable grounds to conclude that the group will continue as a going concern, after consideration of the following factors:

- the group has executed on a number of strategic decisions during FY2020, including a restructure of the executive team. This included the hire of a new CEO with a research industry background and knowledge of data and technology, who is also sales-focused;
- the group has invested in greater sales capability and new products and tools to reach new customers during FY2020;
- the group has realised further savings through automation, technology rationalisation and occupancy during FY2020;
- the group is undertaking a fully underwritten renounceable pro-rata entitlement offer of 8 shares for every 1 share held by eligible shareholders to raise up to \$18,804,170 (before expenses and subject to rounding) (the Entitlement Offer); and
- the group intends to use the proceeds of the Entitlement Offer as follows:
  - (i) significantly restructure its balance sheet by converting a large proportion of the group's debt to equity;
  - (ii) partially pay down the group's existing debt to \$3,000,000;
  - (iii) inject further funds into the sales team and global panel partnership;
  - (iv) commercialisation of the group's technology;
  - (v) provide working capital for the group;
  - (vi) pay the costs of the Entitlement Offer; and
  - (vii) grow the business in order to generate profits and positive cash flows in the future.

Accordingly, the directors believe the group will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the consolidated financial report. Should the group be unable to continue as a going concern it may be required to release its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying value amounts of the amounts of liabilities that might result should the group be unable to continue as a going concern and meet its debts as and when they fall due.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

### Historical cost convention

The financial statements have been prepared under the historical cost convention.



## Note 2. Significant accounting policies (continued)

### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pureprofile Ltd ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended. Pureprofile Ltd and its subsidiaries together are referred to in these financial statements as the 'group'.

Subsidiaries are all those entities over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

Intra company transactions, balances and unrealised gains on transactions between entities in the group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

The acquisition of common control subsidiaries is accounted for at book value. The acquisition of other subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

### **Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

### **Foreign currency translation**

The financial statements are presented in Australian dollars, which is Pureprofile Ltd's functional and presentation currency.

### *Foreign currency transactions*

Foreign currency transactions are translated into the company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

## Note 2. Significant accounting policies (continued)

### Revenue recognition

The group recognises revenue as follows:

#### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

#### *Sales revenue - Data and Insights*

Revenue relating to the provision of services for Data & Insights encapsulates online market research services which helps businesses connect to, and receive feedback from, consumers who are registered to [www.pureprofile.com](http://www.pureprofile.com). The group generates sales revenue by charging clients for access to its online panel for survey responses and may additionally charge for set-up and support services. Contracts with clients generally comprise a single distinct performance obligation, being the provision of market research services and the transaction price is allocated to the single performance obligation. Some contracts contain multiple deliverables – such as set-up and support services. In such circumstances, these multiple deliverables are considered to represent a single distinct performance obligation, given there is a significant integration performed by the group in delivering the services. For fixed-price contracts, revenue is recognised over time and is based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual surveys completed relative to the total expected surveys.

#### *Sales revenue - Media*

Revenue relating to the provision of services for Media sales including programmatic buying and selling of ad inventory, online marketing solutions for advertisers and advertising yield optimisation solutions for online publishers. The group generates sales revenue for managed campaign (programmatic trading) services by charging clients for purchasing ad inventory and managing the placement of ads on their behalf (at a marked-up price to the ad inventory purchased or as a service fee). The group also generates sales revenue for Media Trading service by buying and reselling ad inventory. The group also generates sales revenue by helping publishers to increase yield through programmatically selling their ad inventory. Contracts with clients generally comprise a single distinct performance obligation, being the provision of Media services described above and the transaction price is allocated to the single performance obligation. Fees for the provision of services are recognised as revenue as the services are rendered, in accordance with the terms and conditions of the service agreement.

#### *Sales revenue - Performance*

Revenue relating to the provision of services for digital marketing by providing lead generation and email marketing services. The group generates sales revenue for lead generation services by charging clients on a price per lead basis. The group generates sales revenue from email marketing by various revenue models including cost per thousand (CPM), cost per click (CPC) and cost per acquisition (CPA). Contracts with clients generally comprise a single distinct performance obligation, being the provision of Lead Generation and Email marketing services described above and the transaction price is allocated to the single performance obligation. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously. This is determined based on the actual leads obtained relative to the total expected leads.

## Note 2. Significant accounting policies (continued)

### Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

### Government grants

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants received which do not relate to any specific costs are recognised as income received in the period in which they are received.

### Income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Pureprofile Ltd. (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group with tax funding agreements, under the tax consolidation regime, effective 7 November 2014. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

## Note 2. Significant accounting policies (continued)

### Discontinued operations

A discontinued operation is a component of the group that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

### Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

### Contract assets

Contract assets are recognised when the group has transferred goods or services to the customer but where the group is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

### Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Office and computer equipment	3 to 9 years
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The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

## Note 2. Significant accounting policies (continued)

### Leases (AASB 117 - prior year)

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

### Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

### Intangible assets

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

### Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

## Note 2. Significant accounting policies (continued)

### Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reductions are capitalised. Costs capitalised include external direct costs of materials and service and employee costs. Software development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility studies and where the group has an intention and ability to use the asset. Software costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of between four and five years.

### Customer and partnership network relationships

Acquired membership database is amortised over 7 years, on a straight line basis.

### Membership base

In November 2016, Pureprofile, with the acquisition of the Cohort Group, acquired a membership database which will be amortised over its useful economic life of 7 years, on a straight line basis. The Membership base was not disposed as part of the sale of the Performance ANZ business.

### Brand names

Acquired brand names are not amortised. Instead, brand names are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired, and is carried at cost less accumulated impairment losses.

### Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30-45 days of recognition.

### Contract liabilities

Contract liabilities represent the group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the group has transferred the goods or services to the customer.

### Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

### Lease liabilities

Lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties.

## Note 2. Significant accounting policies (continued)

The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred. Variable lease payments include rent concessions in the form of rent forgiveness or a waiver as a direct consequence of the Coronavirus (COVID-19) pandemic and which relate to payments originally due on or before 30 June 2020.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

### Group as a lessor

Leases in which the group transfers substantially all the risks and rewards of ownership of an asset are classified as finance leases held by the customer. Lease receivables are recognised at an amount equal to the net investment in the lease which represents the gross investment discounted at the implicit interest rate. Lease payments received are accounted for as a repayment of principal and receipt of income. Interest income is calculated on the principal balance outstanding and is brought to account to produce a constant rate of return over the lease term.

Leases in which the group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

### Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

### Provisions

Provisions are recognised when the group has a present (legal or constructive) obligation as a result of a past event, it is probable the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

### Reward redemption

The group invites its internet panel members to complete surveys in exchange for a cash or points-based incentive. These amounts are not paid until a predetermined target value has accrued on a members account. An assessment of incentives likely to be paid (present obligation) is made taking into account past behaviour and activity. This is recognised as an expense in the period in which the service is provided.

### Employee benefits

#### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

#### Other long-term employee benefits

The liability for employee benefits not expected to be settled wholly within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

#### Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

## Note 2. Significant accounting policies (continued)

### Share-based payments

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If a non-vesting condition is within the control of the group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, they are treated as if they had vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award are treated as if they were a modification.

### Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

### Issued capital

Ordinary shares are classified as equity.



## Note 2. Significant accounting policies (continued)

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

### Earnings per share

#### Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Pureprofile Ltd, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

#### Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

## Note 2. Significant accounting policies (continued)

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### Rounding of amounts

The company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this Report have been rounded to the nearest dollar.

### New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the group for the annual reporting period ended 30 June 2020. The group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the group, are set out below.

#### *Conceptual Framework for Financial Reporting (Conceptual Framework)*

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 and early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the group has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the group may need to review such policies under the revised framework. At this time, the application of the Conceptual Framework is not expected to have a material impact on the group's financial statements.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

#### *Coronavirus (COVID-19) pandemic*

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

#### *Share-based payment transactions*

The group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

### Note 3. Critical accounting judgements, estimates and assumptions (continued)

#### *Allowance for expected credit losses*

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience, historical collection rates, the impact of the Coronavirus (COVID-19) pandemic and forward-looking information that is available. The allowance for expected credit losses, as disclosed in note 11, is calculated based on the information available at the time of preparation. The actual credit losses in future years may be higher or lower.

#### *Capitalised software development costs*

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirement continue to be met and whether there are any indicators that capitalised costs may be impaired.

#### *Estimation of useful lives of assets*

The group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

#### *Goodwill and other indefinite life intangible assets*

The group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Following the disposal of the business units during the year ended 30 June 2019, goodwill has been apportioned between continuing operations and goodwill disposed of through the discontinued operations. Considerable judgement is required in determining the amounts to be apportioned between the continuing and discontinued operations.

#### *Impairment of non-financial assets other than indefinite life intangible assets*

The group assesses impairment of non-financial assets other than indefinite life intangible assets at each reporting date by evaluating conditions specific to the group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

#### *Income tax*

The group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

#### *Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

#### *Lease term*

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the group's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The group reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

### Note 3. Critical accounting judgements, estimates and assumptions (continued)

#### *Incremental borrowing rate*

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the group estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

#### *Reward redemption provision*

In determining the level of provision required for reward redemptions the group has made judgements in respect of the expected outflows necessary to settle the redemptions. The provision represents the maximum amount that the group estimates is likely to be claimed by panel members and is based on estimates made from historical data and likely redemption patterns. Balances accrued by panel members that have been inactive (i.e. not completed any transaction) for more than one year are written back to profit or loss.

### Note 4. Operating segments

#### *Identification of reportable operating segments*

The Group is organised into three operating segments:

- Data & Insights;
- Media; and
- Performance

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Our segments represent the corporate headquarters of the group.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation, adjusted for non-cash and significant items). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

#### *Types of products and services*

The principal products and services are as follows:

Data & Insights	Conducting market research and providing research technology platforms
Media	Buying and selling online advertising inventory on behalf of advertisers and publishers
Performance	Generates leads for clients through its consumer database and proprietary and partner digital assets

During the financial year ended 30 June 2019, on 4 October 2018, the group entered into a binding agreement to sell its media trading business unit (which acquired as part of the acquisition of Sparcmedia in 2015). On 1 March 2019 the group also sold 100% of its interest in Cohort Holdings Australia Pty Ltd and its controlled entities. Both business units were part of the media segment. Refer note 9 for further information.

#### *Major customers*

During the years ended 30 June 2020 and 30 June 2019 no single customer contributed more than 10% to the group's external revenue.

Note 4. Operating segments (continued)

Operating segment information (continuing and discontinued operations)

	Data & Insights \$	Media \$	Performance \$	Other segments \$	Total \$
<b>Consolidated - 2020</b>					
<b>Revenue</b>					
Sales to external customers	18,866,160	3,471,696	1,848,866	-	24,186,722
Interest	-	-	-	105	105
<b>Total revenue</b>	<b>18,866,160</b>	<b>3,471,696</b>	<b>1,848,866</b>	<b>105</b>	<b>24,186,827</b>
<b>EBITDA</b>					
Depreciation and amortisation	(3,104,740)	(159,576)	-	(1,086,022)	(4,350,338)
Impairment of intangible assets	-	(2,107,127)	-	-	(2,107,127)
Loss on disposal of intangible assets	(409,068)	(215,959)	-	-	(625,027)
Interest	-	-	-	105	105
Interest expense on leases	-	-	-	(258,152)	(258,152)
Finance costs	-	-	-	(3,872,021)	(3,872,021)
<b>Profit/(loss) before income tax expense</b>	<b>2,662,533</b>	<b>(1,991,201)</b>	<b>245,836</b>	<b>(10,728,576)</b>	<b>(9,811,408)</b>
Income tax expense	-	-	-	-	(18,073)
<b>Loss after income tax expense</b>					<b>(9,829,481)</b>
<b>Consolidated - 2019</b>					
<b>Revenue</b>					
Sales to external customers	18,375,807	11,574,006	7,852,283	-	37,802,096
Interest	-	-	-	3,246	3,246
<b>Total revenue</b>	<b>18,375,807</b>	<b>11,574,006</b>	<b>7,852,283</b>	<b>3,246</b>	<b>37,805,342</b>
<b>EBITDA</b>					
Depreciation and amortisation	(2,493,136)	(405,550)	(686,834)	(217,583)	(3,803,103)
Impairment of intangible assets	-	-	(2,453,010)	-	(2,453,010)
Loss on disposal of intangible assets	(212,987)	(602,389)	(211,678)	-	(1,027,054)
Derecognition of goodwill on disposal of businesses	-	(3,500,000)	-	-	(3,500,000)
Finance interest	-	-	-	3,246	3,246
Finance costs	-	-	-	(2,522,508)	(2,522,508)
<b>Profit/(loss) before income tax expense</b>	<b>3,828,417</b>	<b>(2,272,833)</b>	<b>(3,623,020)</b>	<b>(11,948,735)</b>	<b>(14,016,171)</b>
Income tax expense	-	-	-	-	(443,871)
<b>Loss after income tax expense</b>					<b>(14,460,042)</b>

All assets and liabilities, including taxes are not allocated to the operating segments as they are managed on an overall group basis.

**Note 4. Operating segments (continued)**

*Revenue by geographical area (continuing and discontinued operations)*

The group operates in 3 (2019: 3) regions. The sales revenue for each region is as follows:

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Sales to external customers</b>		
Australasia	16,642,458	30,740,479
Europe	6,837,556	5,679,573
United States	706,708	1,382,044
	<u>24,186,722</u>	<u>37,802,096</u>

**Note 5. Revenue**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue from continuing operations</b>		
Data & Insights	18,866,160	18,375,807
Media	3,471,696	6,145,245
Performance	1,848,866	2,213,161
Revenue from continuing operations	<u>24,186,722</u>	<u>26,734,213</u>

**Aggregation of revenue**

Refer to note 4 'Operating segments' for analysis of revenue by major product line and geographical region.

During the financial years ended 30 June 2020 and 30 June 2019, all revenue was recognised based on services transferred over time.

**Note 6. Other income**

	<b>Consolidated</b>	<b>Consolidated</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Net foreign exchange gain	11,545	-
Net gain on disposal of property, plant and equipment	-	10,203
Government grants (COVID-19)	348,000	-
Rental income	516,049	171,950
Other income	23,649	49,902
Other income	<u>899,243</u>	<u>232,055</u>

Government grants (COVID-19) represents grants received from the Government comprising of JobKeeper support payments. During the Coronavirus (COVID-19) pandemic, the group has received JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded as other income over the periods in which the related employee benefits are recognised as an expense. The group is eligible for JobKeeper support from the government on the condition that employee benefits continue to be paid.

Note 7. Expenses

	Consolidated 2020 \$	2019 \$
Loss before income tax from continuing operations includes the following specific expenses:		
<i>Depreciation</i>		
Right-of-use assets	906,059	-
Office and computer equipment	114,118	147,693
Total depreciation	<u>1,020,177</u>	<u>147,693</u>
<i>Amortisation</i>		
Software	2,951,985	2,900,551
Membership base	378,176	391,351
Total amortisation	<u>3,330,161</u>	<u>3,291,902</u>
Total depreciation and amortisation	<u>4,350,338</u>	<u>3,439,595</u>
<i>Impairment</i>		
Goodwill	2,107,127	-
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	3,872,021	2,377,093
Interest and finance charges paid/payable on lease liabilities	258,152	-
Finance costs expensed	<u>4,130,173</u>	<u>2,377,093</u>
<i>Leases</i>		
Short-term lease payments	254,197	-
COVID-19 related rent concessions	(34,824)	-
Low-value assets lease payments	4,717	-
	<u>224,090</u>	<u>-</u>
<i>Superannuation expense</i>		
Defined contribution superannuation expense	645,736	697,096
<i>Employee benefits expense excluding superannuation</i>		
Employee benefits expense excluding superannuation	<u>8,349,623</u>	<u>10,340,021</u>

Note 8. Income tax expense

	Consolidated 2020 \$	2019 \$
<i>Income tax expense</i>		
Current tax	99,035	21,001
Deferred tax - origination and reversal of temporary differences	-	422,870
Adjustment recognised for prior periods	(80,962)	-
Aggregate income tax expense	<u>18,073</u>	<u>443,871</u>
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets (note 17)	-	422,870
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Losses before income tax expense from continuing operations	(9,640,408)	(7,911,777)
Losses before income tax expense from discontinued operations	(171,000)	(6,104,394)
	<u>(9,811,408)</u>	<u>(14,016,171)</u>
Total at the statutory tax rate of 30%	(2,943,422)	(4,204,851)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	11,615	8,723
Eligible research and development expenditure	-	95,843
Within capitalisation - deduction denial amount	834,007	-
Sundry items	632,759	1,065,470
	<u>(1,465,041)</u>	<u>(3,034,815)</u>
Adjustment recognised for prior periods	(80,962)	-
Current year tax losses not recognised	1,272,366	2,570,636
Current year temporary differences not recognised	303,018	-
Recognition of deferred tax liability on sale of subsidiary	-	(211,087)
Reversal of deferred tax asset on carried forward losses	-	422,870
Prior year deferred tax balances no longer recognised	-	729,415
Difference in overseas tax rates	(11,308)	62,695
Research and development tax concession	-	(95,843)
Income tax expense	<u>18,073</u>	<u>443,871</u>
	Consolidated 2020 \$	2019 \$
<i>Losses not recognised</i>		
Potential unused tax benefit for which no deferred tax asset has been recognised	<u>5,469,681</u>	<u>4,212,824</u>

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.



**Note 9. Discontinued operations**

*Description*

On 1 October 2018, the group entered into a binding agreement to sell its media trading business unit ("Media Trading Business"), which was acquired as part of the acquisition of Sparcmedia in 2015. The Media Trading Business was sold for total consideration of \$541,499 comprising \$200,000 which was paid in cash and \$341,649 by way of a buy-back of the company's shares.

On 1 March 2019, the group sold 100% of its interest in Cohort Holdings Australia Pty Ltd and its controlled entities to Unitv4. The sale price for the transaction is \$450,000 which was paid in cash.

During the financial year ended 30 June 2020, the discontinued operations represented additional expenses incurred by the group in relation to Cohort Holdings Australia Pty Ltd.

*Financial performance information*

	Consolidated 2020 \$	2019 \$
Revenue from contracts with customers	-	11,067,883
Interest revenue calculated using the effective interest method	-	2,101
Total revenue	-	11,069,984
Owner income	-	179,738
Direct cost of sales	-	(7,877,896)
Employee benefits expense	-	(2,141,435)
Foreign exchange gain/(loss)	-	(57,167)
Depreciation and amortisation expense	-	(363,508)
Impairment of intangible assets	-	(2,453,010)
Loss on disposal of intangible assets	-	(602,389)
Technology, engineering and licence fees	-	(290,295)
Occupancy costs	-	(225,026)
Other expenses	(171,000)	(206,229)
Finance costs	-	(145,415)
Total expenses	(171,000)	(14,362,370)
Loss before income tax expense	(171,000)	(3,112,648)
Income tax expense	-	-
Loss after income tax expense	(171,000)	(3,112,648)
Loss on disposal before income tax	-	(2,991,746)
Income tax expense	-	-
Loss on disposal after income tax expense	-	(2,991,746)
Loss after income tax expense from discontinued operations	(171,000)	(6,104,394)

**Note 9. Discontinued operations (continued)**

*Carrying amounts of assets and liabilities disposed*

	Consolidated 2020 \$	2019 \$
Cash and cash equivalents	-	164,114
Trade and other receivables	-	1,660,648
Property, plant and equipment	-	25,478
Intangibles	-	3,667,991
<b>Total assets</b>	<b>-</b>	<b>5,518,231</b>
Trade and other payables	-	1,623,470
Provisions	-	107,092
<b>Total liabilities</b>	<b>-</b>	<b>1,730,562</b>
<b>Net assets</b>	<b>-</b>	<b>3,787,669</b>

*Details of the disposal*

	Consolidated 2020 \$	2019 \$
Total sale consideration	-	991,499
Carrying amount of net assets disposed	-	(3,787,669)
Less working capital adjustment	-	(195,576)
<b>Loss on disposal before income tax</b>	<b>-</b>	<b>(2,991,746)</b>
<b>Loss on disposal after income tax</b>	<b>-</b>	<b>(2,991,746)</b>

**Note 10. Current assets - cash and cash equivalents**

	Consolidated 2020 \$	2019 \$
Cash at bank	1,758,741	513,991
Cash on deposit*	9,660	10,331
<b>Total</b>	<b>1,768,401</b>	<b>524,322</b>

Cash on deposit of \$9,660 (2019: \$10,331) is a restricted cash balance which is held and maintained as security over the group's leased properties.

**Note 11. Current assets - trade and other receivables**

	Consolidated 2020 \$	2019 \$
Trade receivables	3,765,943	6,560,276
Less: Allowance for expected credit losses	(94,422)	(266,091)
	<u>3,671,521</u>	<u>6,294,185</u>
Other receivables	46,174	119,553
	<u>3,717,695</u>	<u>6,413,738</u>

**Allowance for expected credit losses**

The group has recognised a loss of \$57,355 (2019: \$39,865) in profit or loss in respect of impairment of receivables for the year ended 30 June 2020.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2020 %	2019 %	2020 \$	2019 \$	2020 \$	2019 \$
Not overdue	0.0331%	-	2,720,076	4,760,821	900	-
0 to 3 months overdue	0.0323%	0.7928%	923,775	1,002,303	298	7,946
3 to 6 months overdue	23.3055%	4.0846%	40,678	324,352	9,480	13,248
Over 6 months overdue	65.6366%	41.3430%	127,588	592,353	83,744	244,897
			<u>3,812,117</u>	<u>6,679,829</u>	<u>94,422</u>	<u>266,091</u>

The group has increased its monitoring of debt recovery as there is an increased probability of customers delaying payment or being unable to pay, due to the Coronavirus (COVID-19) pandemic. As a result, the calculation of expected credit losses has been revised as at 30 June 2020 and rates have increased in each category up to 6 months overdue.

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2020 \$	2019 \$
Opening balance	266,091	615,897
Additional provisions recognised	57,355	222,345
Receivables written off during the year as uncollectable	(229,024)	(389,671)
Unused amounts reversed	-	(182,480)
Closing balance	<u>94,422</u>	<u>266,091</u>

**Note 12. Current assets - contract assets**

	Consolidated 2020 \$	2019 \$
Contract assets	<u>402,593</u>	<u>412,903</u>

**Note 12. Current assets - contract assets (continued)**

*Reconciliation*

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

	<b>Consolidated</b>	<b>2019</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Opening balance	412,903	268,482
Additions	403,808	412,312
Cumulative catch-up adjustments	(1,236)	26
Transfer to trade receivables	(412,331)	(267,917)
Disposals/write off of assets	(551)	-
Closing balance	<u>402,593</u>	<u>412,903</u>

*Allowance for expected credit losses*

The allowance for expected credit losses on contract assets for the year ended 30 June 2020 is \$nil (2019: \$nil).

**Note 13. Current assets - other**

	<b>Consolidated</b>	<b>2019</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Prepayments	<u>797,253</u>	<u>688,267</u>

**Note 14. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	<b>2019</b>
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Property, plant and computer equipment - at cost	737,841	862,755
Less: Accumulated depreciation	<u>(550,301)</u>	<u>(640,529)</u>
	<u>187,540</u>	<u>222,226</u>

**Note 14. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Office and computer equipment \$
Balance at 1 July 2018	377,982
Additions	55,407
Disposals	(1,401)
Sale of businesses	(25,478)
Exchange differences	2,231
Depreciation expense	<u>(186,515)</u>
Balance at 30 June 2019	222,226
Additions	88,380
Disposals	(4,213)
Exchange differences	(4,735)
Depreciation expense	<u>(114,118)</u>
Balance at 30 June 2020	<u><u>187,540</u></u>

**Note 15. Non-current assets - right-of-use assets**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	\$	\$
Right-of-use assets	2,931,316	-
Less: Accumulated depreciation	<u>(557,076)</u>	<u>-</u>
	<u><u>2,374,240</u></u>	<u><u>-</u></u>

The group leases buildings for its offices and plant and equipment under agreements of between 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	Right-of-use assets \$
Balance at 1 July 2019 - initial recognition	2,937,297
Additions	432,196
Exchange differences	(89,194)
Depreciation expense	<u>(906,059)</u>
Balance at 30 June 2020	<u><u>2,374,240</u></u>

Note 16. Non-current assets - intangibles

	Consolidated 2020 \$	2019 \$
Goodwill - at cost	15,503,285	15,503,285
Less: Impairment	(15,503,285)	(13,396,158)
	<u>-</u>	<u>2,107,127</u>
Software - at cost	24,972,053	23,854,594
Less: Accumulated amortisation	(14,301,775)	(11,982,825)
Less: Impairment	(4,598,724)	(4,598,724)
	<u>6,071,554</u>	<u>7,273,045</u>
Customer contracts and partner network arrangement - at cost	3,622,000	3,622,000
Less: Accumulated amortisation	(1,168,990)	(1,168,990)
Less: Impairment	(2,453,010)	(2,453,010)
	<u>-</u>	<u>-</u>
Membership base - at cost	2,694,410	2,694,410
Less: Accumulated amortisation	(1,425,417)	(1,047,241)
	<u>1,268,993</u>	<u>1,647,169</u>
Brand names - at cost	94,000	94,000
	<u>94,000</u>	<u>94,000</u>
	<u>7,434,547</u>	<u>11,121,341</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Goodwill \$	Software \$	Customer contracts and partner network arrangement \$	Membership base \$	Brand names \$	Total \$
<b>Consolidated</b>						
Balance at 1 July 2018	5,607,127	8,678,968	2,725,572	2,038,520	94,000	19,144,187
Additions	-	2,742,880	-	-	-	2,742,880
Disposals	-	(1,028,137)	-	-	-	(1,028,137)
Sale of businesses	(3,500,000)	(167,991)	-	-	-	(3,667,991)
Impairment of assets	-	-	(2,453,010)	-	-	(2,453,010)
Amortisation expense	-	(2,952,675)	(272,562)	(391,351)	-	(3,616,588)
Balance at 30 June 2019	2,107,127	7,273,045	-	1,647,169	94,000	11,121,341
Additions	-	2,375,521	-	-	-	2,375,521
Disposals	-	(625,027)	-	-	-	(625,027)
Impairment of assets	(2,107,127)	-	-	-	-	(2,107,127)
Amortisation expense	-	(2,951,985)	-	(378,176)	-	(3,330,161)
Balance at 30 June 2020	<u>-</u>	<u>6,071,554</u>	<u>-</u>	<u>1,268,993</u>	<u>94,000</u>	<u>7,434,547</u>

Impairment testing

Goodwill

Goodwill and brand names are tested annually for impairment or at each reporting date if an indicator of impairment exists. Goodwill and brand names are allocated to the Media cash generating unit.

**Note 16. Non-current assets - intangibles (continued)**

At the reporting date for the half-year ended 31 December 2019, the Media CGU generated a loss for the half-year to 31 December 2019, which gave rise to an indicator of potential impairment and the CGU was subsequently tested for impairment at 31 December 2019.

*Other definite life intangible assets*

Definite life intangible assets are tested for impairment at each reporting date if an indicator of impairment exists. COVID-19 has had a significant impact on the Australian and global economy. The current and prospective deterioration in the economy due to COVID-19 has triggered an indicator of impairment. The remaining definite life intangible assets not allocated to the Media CGU have been tested for impairment at 30 June 2020. All remaining definite life intangible assets are allocated to the Data & Insights CGU.

*Impairment testing methodology*

The recoverable amount of the CGU has been determined based on a value in use calculation. This calculation uses a 5 year cash flow projection based upon financial budgets approved by management. Cash flows beyond the five year period are extrapolated using the long term growth rate stated below. The growth rate does not exceed the long term average growth rate for the business.

*Key assumptions used in the value in use calculations*

**Media CGU**

	2020	2019
Forecast growth in revenue	6% - 16%	5% - 18%
Long-term growth rate	0%	1%
Discount rate (post-tax)	17.4%	16.8%

**Data & Insights CGU**

	Lower case	Base case	Upper case
Growth in revenue in Year 1	3.1%	14.2%	24.5%
Growth in revenue from Year 2 - Year 5	2.8%	8.0%	10.0%
Long term growth rate	0%	0%	1%
Discount rate (post-tax)	17.4%	17.4%	17.4%
Probability weighting	10%	80%	10%

*Impairment test results - Media CGU*

Based on the testing performed the recoverable amount of the CGU did not exceed its carrying value and the group recognised an impairment to goodwill of \$2,107,127 (2019: \$nil), reducing its carrying value to nil.

*Impact of possible changes in assumptions - Media CGU*

Management believes that reasonable changes in the key assumptions on which the recoverable amount of the CGU is based would not result in any additional impairment.

*Impairment test results - Data & Insights CGU*

Based on the testing performed no impairment was recognised for this CGU, for the year ended 30 June 2020.

*Impact of possible changes in assumptions - Data & Insights CGU*

The directors have considered three scenarios (the Base case; Lower case; and Upper case) when making judgments and estimates in respect of impairment testing of the CGU's non-current assets. Should these judgments and estimates not occur the resulting recoverable amount of the CGU's non-current assets may differ. The sensitivities specific to the D&I CGU are as follows:

**Note 16. Non-current assets - intangibles (continued)**

- the probability weighting applied to the lower case scenario would be required to increase to 34% and the probability weighting applied to the base case scenario reduced to 56% before it gives rise to an impairment, with all other assumptions remaining constant;
- budgeted revenue growth in the year 1 (FY21) in the base case would be required to reduce to 9.3% before it gives rise to an impairment, with all other assumptions remaining constant;
- budgeted revenue growth in the year 2 ~ 5 (FY22 ~ FY25) in the base case would be required to reduce to 6.5% before it gives rise to an impairment, with all other assumptions remaining constant; and
- the discount rate would be required to increase to 24.30% before it gives rise to an impairment, with all other assumptions remaining constant.

Management believes that other reasonable changes in the key assumptions on which the recoverable amount of intangibles is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

**Note 17. Non-current assets - deferred tax**

	Consolidated 2020 \$	2019 \$
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	8,606	21,346
Prepayments	(1,186)	(1,769)
Capitalised expenditure	(565,035)	(1,350,800)
Brand names	(28,200)	(28,200)
Employee benefits	206,513	235,493
Accrued expenses and other payables	62,940	97,829
Provision for reward redemptions	419,148	321,238
Other assets	(694,188)	(533,746)
Business related capital expenditure	152,413	326,245
Research and development expenditure	410,224	853,930
Unrealised FX Loss	28,765	58,434
Deferred tax asset	<u>-</u>	<u>-</u>
Movements:		
Opening balance	-	422,870
Charged to profit or loss (note 8)	-	(422,870)
Closing balance	<u>-</u>	<u>-</u>

The group has unused tax losses of \$5,469,681 (2019: \$4,212,824) for which no tax benefit has been recognised. Based on management's assessment, taking into consideration the group's future forecasts, deferred tax assets on tax losses only been recognised to the extent that it is probable that there will be taxable future income from which to offset the tax losses.



**Note 18. Current liabilities - trade and other payables**

	Consolidated 2020 \$	2019 \$
Trade payables	2,281,193	4,153,807
Accrued expenses	2,352,800	2,964,957
Other payables	1,322,457	1,390,311
	<u>5,956,450</u>	<u>8,509,075</u>

**Note 19. Current liabilities - contract liabilities**

	Consolidated 2020 \$	2019 \$
Contract liabilities	<u>377,687</u>	<u>331,421</u>

**Reconciliation**

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

	Consolidated 2020 \$	2019 \$
Opening balance	331,421	385,556
Payments received in advance	668,431	447,358
Transfer to revenue	(549,855)	(497,607)
Disposals	(72,113)	(3,886)
Foreign exchange differences	(197)	-
Closing balance	<u>377,687</u>	<u>331,421</u>

**Unsatisfied performance obligations**

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$377,687 as at 30 June 2020 (\$331,421 as at 30 June 2019) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2020 \$	2019 \$
Within 6 months	296,487	231,561
6 to 12 months	74,700	99,860
12 to 18 months	6,500	-
	<u>377,687</u>	<u>331,421</u>

Note 20. Current liabilities - borrowings

	Consolidated 2020 \$	2019 \$
Loans	20,000,000	14,400,000
Interest accrued on loans	4,392,384	776,016
Trade receivables financing facility	-	2,069,339
	<u>24,392,384</u>	<u>17,245,355</u>

As at 30 June 2020, the loan comprises 3 facilities as follows:

- (a) Facility A is \$10,000,000 (30 June 2019: \$10,000,000). Interest is fixed and payable at 20% per annum and is payable on the date the facility expires. The facility expires on 1 April 2021. As at 30 June 2020, the facility is fully used and there are no unused amounts.
- (b) Facility B is \$3,000,000 (30 June 2019: \$3,000,000). Interest is fixed at 20% per annum and is payable on the date the loan expires. The facility expires on 1 April 2021. As at 30 June 2020, the facility is fully used and there are no unused amounts.
- (c) Facility C is \$7,000,000 (30 June 2019: \$2,600,000). Interest is fixed and payable at 20% per annum and is payable on the date the facility expires. The facility expires on 1 April 2021. As at 30 June 2020, the facility is fully used and there are no unused amounts.

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	Consolidated 2020 \$	2019 \$
Loans	<u>20,000,000</u>	<u>14,400,000</u>

*Assets pledged as security*

The loans are secured by the assets of the group.

*Financing arrangements*

At the reporting date to the following lines of credit were available:

	Consolidated 2020 \$	2019 \$
Total facilities		
Loans	20,000,000	15,600,000
Trade receivables financing facility	-	2,069,339
	<u>20,000,000</u>	<u>17,669,339</u>
Used at the reporting date		
Loans	20,000,000	14,400,000
Trade receivables financing facility	-	2,069,339
	<u>20,000,000</u>	<u>16,469,339</u>
Unused at the reporting date		
Loans	-	1,200,000
Trade receivables financing facility	-	-
	<u>-</u>	<u>1,200,000</u>

**Note 21. Current liabilities - lease liabilities**

	Consolidated 2020 \$	2019 \$
Lease liability	489,534	-

Refer to note 28 for further information on financial instruments.

**Note 22. Current liabilities - provisions**

	Consolidated 2020 \$	2019 \$
Employee benefits	410,515	453,584
Reward redemption	1,605,065	1,155,052
Rent straight-lining	-	388,813
	<u>2,015,580</u>	<u>1,997,449</u>

*Reward redemption*

This provision represents the estimated costs of rewards awarded to customers in respect of services sold. The provision is estimated based on historical reward redemption information, sales levels and any recent trends that may suggest future reward redemptions could differ from historical amounts.

*Rent straight-lining*

The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

The rent straight-lining provision is no longer recognised under AASB 16. Following the adoption of AASB 16 on 1 July 2019, the provision was de-recognised.

Refer to note 24 for further information.

**Note 23. Non-current liabilities - lease liabilities**

	Consolidated 2020 \$	2019 \$
Lease liability	2,024,027	-

Refer to note 28 for further information on financial instruments.

**Note 24. Non-current liabilities - provisions**

	Consolidated 2020 \$	2019 \$
Employee benefits	64,015	80,568
Lease make good	60,943	-
	<u>124,958</u>	<u>80,568</u>

**Note 24. Non-current liabilities - provisions (continued)**

*Lease make good*

This provision represents the present value of the estimated costs to make good the premises leased by the group at the end of the respective lease terms.

*Movements in provisions*

Movements in each class of provision (current and non-current) during the current financial year, other than employee benefits, are set out below:

	Reward redemption \$	Rent straight-lining \$	Lease make good \$
<b>Consolidated - 2020</b>			
Carrying amount at the start of the year	1,155,052	388,813	-
Change in accounting policy	-	(388,813)	-
Additional provisions recognised	4,316,192	-	60,943
Amounts used	(3,859,335)	-	-
Payments	182,767	-	-
Foreign exchange differences	(2,762)	-	-
Unused amounts reversed	(186,849)	-	-
Carrying amount at the end of the year	<u>1,605,065</u>	<u>-</u>	<u>60,943</u>

**Note 25. Equity - issued capital**

	2020 Shares	Consolidated 2019 Shares	2020 \$	2019 \$
Ordinary shares - fully paid	<u>117,526,063</u>	<u>117,526,063</u>	<u>41,461,502</u>	<u>41,461,502</u>

*Movements in ordinary share capital*

Details	Date	Shares	Issue price	\$
Balance	1 July 2018	120,495,625		41,803,151
Share buy-back	24 December 2018	(2,969,562)	\$0.11	(341,499)
Less: adjustment for prior year share issue costs net of taxation		-	\$0.00	(150)
Balance	30 June 2019	<u>117,526,063</u>		<u>41,461,502</u>
Balance	30 June 2020	<u>117,526,063</u>		<u>41,461,502</u>

*Ordinary shares*

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

*Share buy-back*

There is no current on-market share buy-back.

**Note 25. Equity - issued capital (continued)**

*Capital risk management*

The group's objectives when managing capital is to safeguard its ability to continue as a going concern so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The group is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The group is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the previous period.

**Note 26. Equity - reserves**

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Foreign currency reserve	(211,582)	(178,682)
Share-based payments reserve	449,241	449,241
	<u>237,659</u>	<u>270,559</u>

*Foreign currency reserve*

This reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

*Share-based payments reserve*

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

*Movements in reserves*

Movements in each class of reserve during the current and previous financial year are set out below:

<b>Consolidated</b>	Foreign currency \$	Share-based payments \$	Total \$
Balance at 1 July 2018	(215,038)	449,241	234,203
Foreign currency translation	36,356	-	36,356
Balance at 30 June 2019	(178,682)	449,241	270,559
Foreign currency translation	(32,900)	-	(32,900)
Balance at 30 June 2020	<u>(211,582)</u>	<u>449,241</u>	<u>237,659</u>

## Note 27. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

## Note 28. Financial instruments

### Financial risk management objectives

The group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the group. The group may use derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

### Market risk

#### Foreign currency risk

The group operates internationally and is exposed to foreign currency risk from various currency exposures, primarily with respect to the US dollar and GB Pound.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The carrying amount of the group's foreign currency denominated financial assets and financial liabilities at the reporting date were not significant.

#### Price risk

The group is not exposed to any significant price risk.

#### Interest rate risk

The group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the group to interest rate risk. Borrowings issued at fixed rates expose the group to fair value interest rate risk.

An analysis by remaining contractual maturities is shown in the liquidity section below.

As at the 30 June 2020 and 30 June 2019, the group's borrowings were subject to a fixed interest rate, hence the group was not susceptible to interest rate risk arising from fluctuation in the variable interest rate.

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The group does not have any material credit risk exposure to any single debtor or group of debtors and does not hold any collateral.

The group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the group based on recent sales experience, historical collection rates and forward-looking information that is available. As disclosed in note 11, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 30 June 2020 and rates have increased in each category up to 6 months over due.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

**Note 28. Financial instruments (continued)**

The group had a concentration of credit risk exposure with its debtors financing facility as at 30 June 2019, however the facility expired during the year ended 30 June 2020 and the group is no longer exposed to a concentration of credit risk at 30 June 2020. As at 30 June 2019, the finance provider was owed \$2,069,339 from the group's trade receivables. In the event that the group's trade receivables were not collected the group was liable for amounts owed to the finance provider. Amounts owed represented 31.5% of trade receivables at 30 June 2019. The group recognised a provision for impairment on receivables of \$94,422 at 30 June 2019. There were no guarantees against these receivables but management closely monitored the receivable balance on a monthly basis and is in regular contact with this customer to mitigate risk.

**Liquidity risk**

Efficient liquidity risk management requires the group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

**Financing arrangements**

Unused borrowing facilities at the reporting date:

	Consolidated 2020 \$	2019 \$
Unused borrowing facilities	-	1,200,000

**Remaining contractual maturities**

The following tables detail the group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Consolidated - 2020</b>						
<b>Non-derivatives</b>						
<b>Non-interest bearing</b>						
Trade payables	-	2,281,193	-	-	-	2,281,193
Other payables	-	1,322,457	-	-	-	1,322,457
Reward redemption provision	-	1,605,065	-	-	-	1,605,065
<b>Interest-bearing - fixed rate</b>						
Loans	20.00%	24,392,384	-	-	-	24,392,384
Lease liability	8.59%	489,534	319,959	787,525	916,545	2,513,563
<b>Total non-derivatives</b>		<b>30,090,633</b>	<b>319,959</b>	<b>787,525</b>	<b>916,545</b>	<b>32,114,662</b>

**Note 28. Financial instruments (continued)**

<b>Consolidated - 2019</b>	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	4,153,807	-	-	-	4,153,807
Other payables	-	1,390,311	-	-	-	1,390,311
Reward redemption provision	-	1,155,052	-	-	-	1,155,052
<i>Interest-bearing - fixed rate</i>						
Loans	20.00%	14,897,427	-	-	-	14,897,427
Trade receivables financing facility	26.82%	2,069,339	-	-	-	2,069,339
<b>Total non-derivatives</b>		<b>23,665,936</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,665,936</b>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

**Note 29. Fair value measurement**

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

**Note 30. Key management personnel disclosures**

**Compensation**

The aggregate compensation made to directors and other members of key management personnel of the group is set out below:

	<b>Consolidated 2020 \$</b>	<b>2019 \$</b>
Short-term employee benefits	653,009	950,444
Post-employment benefits	52,601	57,523
	<b>705,610</b>	<b>1,007,967</b>



### Note 31. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton, the auditor of the company, and unrelated firms:

	Consolidated 2020 \$	2019 \$
<i>Audit services - Grant Thornton</i>		
Audit or review of the financial statements	162,000	158,593
<i>Other services - Grant Thornton</i>		
Taxation services	37,412	-
	<u>199,412</u>	<u>158,593</u>
<i>Audit services - other firms</i>		
Audit or review of the financial statements	37,892	50,935
<i>Other services - other firms</i>		
Taxation services	42,146	116,507
Assistance in financial due diligence	37,500	35,300
	<u>79,646</u>	<u>151,807</u>
	<u>117,538</u>	<u>202,742</u>

### Note 32. Contingent liabilities

The group had no contingent liabilities as at 30 June 2020 (2019: the group has given a bank guarantee of \$182,337 to its landlord for leased property).

### Note 33. Commitments

	Consolidated 2020 \$	2019 \$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	1,542,243
One to five years	-	2,701,710
more than five years	-	1,488,922
	<u>-</u>	<u>5,732,875</u>

Operating lease commitments includes contracted amounts for offices and plant and equipment under non-cancellable operating leases expiring within 1 to 5 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Operating lease commitments were disclosed under the requirements of AASB 117 'Leases'. AASB 117 was superseded by AASB 16 'Leases' effective 1 July 2019. Operating leases commitments are no longer disclosed under AASB 16. Refer to note 2 for further information.

### Note 34. Related party transactions

#### Parent entity

Pureprofile Ltd is the parent entity.

**Note 34. Related party transactions (continued)**

*Subsidiaries*

Interests in subsidiaries are set out in note 36.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 30 and the remuneration report included in the directors' report.

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Payment for goods and services:		
Payment for expenses reimbursed to key management personnel	2,612	7,098
<i>Receivable from and payable to related parties</i>		
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.		
<i>Loans to/from related parties</i>		
There were no loans to or from related parties at the current and previous reporting date.		
<i>Terms and conditions</i>		
All transactions were made on normal commercial terms and conditions and at market rates.		

**Note 35. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax	(79,331)	(14,423,686)
Total comprehensive loss	(79,331)	(14,423,686)

**Note 35. Parent entity information (continued)**

*Statement of financial position*

	2020 \$	Parent 2019 \$
Total current assets	399,839	176,684
Total assets	12,321,126	6,937,633
Total current liabilities	1,275,924	15,813,878
Total liabilities	21,275,924	15,813,878
Equity		
Issued capital	41,462,460	41,461,502
Foreign currency reserve	(180)	-
Share-based payments reserve	449,241	449,241
Accumulated losses	(50,866,319)	(50,786,988)
Total deficiency in equity	<u>(8,954,798)</u>	<u>(8,876,245)</u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity is a party to a deed of cross guarantee (refer note 37), under which it guarantees the debts of certain of its subsidiaries as at 30 June 2020 and 30 June 2019.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019 other than those disclosed in note 32.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

**Note 36. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2020 %	2019 %
Pureprofile.com, Inc.	USA	100.00%	100.00%
Pureprofile Australia Pty Limited	Australia	100.00%	100.00%
Pureprofile Global Pty Ltd	Australia	100.00%	100.00%
Pureprofile Media PLC	United Kingdom	100.00%	100.00%
Pureprofile UK Ltd	United Kingdom	100.00%	100.00%
Pureprofile US Inc.	USA	100.00%	100.00%
Pure Network Pty Ltd*	Australia	100.00%	100.00%
Real Research Global Pty Ltd*	Australia	100.00%	100.00%
Real Research Pty Ltd*	Australia	100.00%	100.00%
Sparc Media Pty Ltd	Australia	100.00%	100.00%
Funbox India Private Limited	India	100.00%	100.00%
Sparc Media sp. Z o.o.	Poland	100.00%	100.00%
Pureprofile NZ Ltd	New Zealand	100.00%	100.00%

\* Deregistered on 22 July 2020.

**Note 37. Deed of cross guarantee**

The following entities are party to a deed of cross guarantee under which each company guarantees the debts of the others:

- Pureprofile Australia Pty Limited
- Pureprofile Global Pty Ltd
- Pure Network Pty Ltd\*
- Real Research Global Pty Ltd\*
- Real Research Pty Ltd\*
- Sparc Media Pty Ltd

\* Deregistered on 22 July 2020.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare financial statements and directors' report under Corporations Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Corporations Instrument, and as there are no other parties to the deed of cross guarantee that are controlled by Pureprofile Ltd, they also represent the 'Extended Closed Group'.

**Note 37. Deed of cross guarantee (continued)**

Set out below is a consolidated statement of profit or loss and other comprehensive income and statement of financial position of the 'Closed Group'.

	2020 \$	2019 \$
<b>Statement of profit or loss and other comprehensive income</b>		
Revenue	21,410,640	29,177,873
Other income	418,641	568,359
Interest revenue calculated using the effective interest method	41	1,145
Direct costs of revenue	(9,039,325)	(13,432,576)
Employee benefits expense	(6,712,830)	(8,719,075)
Foreign exchange loss	-	(359,413)
Depreciation and amortisation expense	(3,612,888)	(3,053,627)
Impairment of goodwill	(2,107,127)	-
Losses on disposal of intangible assets	(625,027)	(4,527,054)
Loss on disposal of investments	-	(8,416,100)
Technology, engineering and licence fees	(2,048,392)	(2,782,531)
Occupancy costs	(9,279)	-
Other expenses	(2,455,650)	(2,151,142)
Finance costs	(4,053,322)	-
<b>Loss before income tax expense</b>	<b>(8,834,518)</b>	<b>(13,694,141)</b>
Income tax expense	-	(502,669)
<b>Loss after income tax expense</b>	<b>(8,834,518)</b>	<b>(14,196,810)</b>
Other comprehensive income for the year, net of tax	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(8,834,518)</u></b>	<b><u>(14,196,810)</u></b>
<b>Equity - accumulated losses</b>		
Accumulated losses at the beginning of the financial year	(53,782,960)	(39,586,150)
Loss after income tax expense	(8,834,518)	(14,196,810)
Accumulated losses at the end of the financial year	<b><u>(62,617,478)</u></b>	<b><u>(53,782,960)</u></b>

Note 37. Deed of cross guarantee (continued)

	2020 \$	2019 \$
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,083,923	406,371
Trade and other receivables	3,226,853	6,165,058
Contract assets	398,025	287,049
Other	867,761	507,812
	<u>5,576,562</u>	<u>7,366,290</u>
<b>Non-current assets</b>		
Property, plant and equipment	43,573	75,319
Right-of-use assets	420,296	-
Intangibles	6,165,555	9,474,174
Deferred tax	1,311,230	1,311,230
Investment in subsidiary	765,465	765,465
	<u>8,706,119</u>	<u>11,626,188</u>
<b>Total assets</b>	<u>14,282,681</u>	<u>18,992,478</u>
<b>Current liabilities</b>		
Trade and other payables	4,886,037	8,046,896
Contract liabilities	280,764	316,186
Borrowings	24,392,385	16,543,518
Lease liabilities	354,655	-
Income tax	1,275,924	1,275,924
Provisions	1,813,028	596,884
Related party payables	1,937,603	3,063,216
	<u>34,940,396</u>	<u>29,842,624</u>
<b>Non-current liabilities</b>		
Lease liabilities	73,410	-
Provisions	64,015	1,070,794
	<u>137,425</u>	<u>1,070,794</u>
<b>Total liabilities</b>	<u>35,077,821</u>	<u>30,913,418</u>
<b>Net liabilities</b>	<u>(20,795,140)</u>	<u>(11,920,940)</u>
<b>Equity</b>		
Issued capital	41,462,461	41,461,502
Reserves	359,877	400,518
Accumulated losses	<u>(62,617,478)</u>	<u>(53,782,960)</u>
<b>Total deficiency in equity</b>	<u>(20,795,140)</u>	<u>(11,920,940)</u>

Note 38. Earnings per share

	Consolidated 2020 \$	2019 \$
Loss per share for loss from continuing operations		
Loss after income tax attributable to the owners of Pureprofile Ltd	<u>(9,658,481)</u>	<u>(8,355,648)</u>

Note 38. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	117,526,063	118,966,097
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>117,526,063</u>	<u>118,966,097</u>
	Cents	Cents
Basic earnings per share	(8.22)	(7.02)
Diluted earnings per share	(8.22)	(7.02)
	Consolidated	
	2020	2019
	\$	\$
Loss per share for loss from discontinued operations		
Loss after income tax attributable to the owners of Pureprofile Ltd	<u>(171,000)</u>	<u>(6,104,394)</u>

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	117,526,063	118,966,097
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>117,526,063</u>	<u>118,966,097</u>
	Cents	Cents
Basic earnings per share	(0.15)	(5.13)
Diluted earnings per share	(0.15)	(5.13)
	Consolidated	
	2020	2019
	\$	\$
Loss per share for loss		
Loss after income tax attributable to the owners of Pureprofile Ltd	<u>(9,829,481)</u>	<u>(14,460,042)</u>

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	117,526,063	118,966,097
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>117,526,063</u>	<u>118,966,097</u>
	Cents	Cents
Basic earnings per share	(8.36)	(12.15)
Diluted earnings per share	(8.36)	(12.15)

Options have been excluded from the diluted earnings per share as they were anti-dilutive.

**Note 39. Share-based payments**

*Share options and service rights*

Long term incentive plan ('LTI') and short term incentive plan ('STI') have been established by the group, whereby the group may, at the discretion of the Board, grant options or performance rights (in the case of an LTI) or service rights (in the case of an STI) over ordinary shares in the company to certain key management personnel and employees of the group. The existing options are issued for consideration and are granted in accordance with guidelines established by the Board. The existing service rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

The general terms under which the share options and service rights are granted are summarised in the Remuneration Report section of the Directors' report.

*Performance rights*

On 12 December 2017, the company issued 2,100,000 performance rights to its finance facility provider, as part of consideration for the financing facility obtained in November 2017. 950,000 performance rights, which will convert to fully paid-up ordinary shares upon the 60-day volume weighted average price ('VWAP') of Pureprofile shares reaching \$0.40 per share; and 1,150,000 performance rights, which will convert to fully paid-up ordinary shares upon the 60-day VWAP of Pureprofile shares reaching \$0.60 per share. These performance rights expired in November 2019.

Share-based payments expense for the financial year was \$nil (2019: \$nil).

Set out below are summaries of options granted under the long term incentive plan:

2020							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/05/2015	29/05/2020	\$0.50	2,009,000	-	-	(2,009,000)	-
29/05/2015	29/05/2020	\$0.60	1,200,000	-	-	(1,200,000)	-
			<u>3,209,000</u>	<u>-</u>	<u>-</u>	<u>(3,209,000)</u>	<u>-</u>
Weighted average exercise price			\$0.54	\$0.00	\$0.00	\$0.54	\$0.00
2019							
Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
29/05/2015	29/05/2020	\$0.50	2,009,000	-	-	-	2,009,000
29/05/2015	29/05/2020	\$0.60	1,200,000	-	-	-	1,200,000
			<u>3,209,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,209,000</u>
Weighted average exercise price			\$0.54	\$0.00	\$0.00	\$0.00	\$0.54

Set out below are the options that have vested and are exercisable at the end of the financial year:

Grant date	Expiry date	2020 Number	2019 Number
29/05/2015	29/05/2020	-	2,009,000
29/05/2015	29/05/2020	-	1,200,000
		<u>-</u>	<u>3,209,000</u>

The weighted average share price during the financial year was \$0.01 (2019: \$0.07).

The weighted average remaining contractual life of options outstanding at the end of the financial year was nil (2019: 0.9 years).



**Note 39. Share-based payments (continued)**

No service rights are exercisable at the end of the financial year (2019: nil)

Set out below are summaries of performance rights granted under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
12/ 2/2017	02/11/2019	\$0.00	2,100,000	-	-	(2,100,000)	-
			<u>2,100,000</u>	<u>-</u>	<u>-</u>	<u>(2,100,000)</u>	<u>-</u>

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was nil (2019: 0.3 years).

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
12/ 2/2017	02/11/2019	\$0.00	2,100,000	-	-	-	2,100,000
			<u>2,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,100,000</u>

**Note 40. Cash flow information**

*Reconciliation of loss after income tax to net cash from/(used in) operating activities*

	Consolidated 2020 \$	2019 \$
Loss after income tax expense for the year	(9,829,481)	(14,460,042)
Adjustments for:		
Depreciation and amortisation	4,350,338	3,803,103
Impairment of intangibles	2,107,127	2,453,010
Net loss on disposal of non-current assets	629,240	831,380
Foreign currency differences	2,482	1,759
Gain on sale of businesses	-	2,991,746
Capitalised finance cost	3,616,369	-
Interest on lease liabilities	258,152	-
Change in operating assets and liabilities:		
Decrease in trade and other receivables	2,613,240	4,760,248
Decrease/(increase) in contract assets	9,744	(144,421)
Decrease in deferred tax assets	-	102,827
Increase in prepayments	(108,986)	(250,815)
Decrease in trade and other payables	(2,524,995)	(793,288)
Increase/(decrease) in contract liabilities	47,148	(53,606)
Decrease in provision for income tax	(54,471)	(130,019)
Increase in deferred tax liabilities	-	320,043
Decrease in employee benefits	(59,622)	(69,553)
Increase in other provisions	366,084	266,846
Net cash from/(used in) operating activities	<u>1,422,369</u>	<u>(370,782)</u>

**Note 40. Cash flow information (continued)**

*Changes in liabilities arising from financing activities*

<b>Consolidated</b>	Loans \$	Trade receivables financing facility \$	Lease liabilities \$	Total \$
Balance at 1 July 2018	10,000,000	5,628,290	-	15,628,290
Net cash from/(used in) financing activities	4,400,000	(3,883,147)	-	516,853
Changes through discontinued operations	-	324,196	-	324,196
Balance at 30 June 2019	14,400,000	2,069,339	-	16,469,339
Change in accounting policy	-	-	3,242,181	3,242,181
Net cash from/(used in) financing activities	5,600,000	(2,069,339)	(126,371)	3,404,290
Other changes	-	-	(602,249)	(602,249)
Balance at 30 June 2020	<u>20,000,000</u>	<u>-</u>	<u>2,513,561</u>	<u>22,513,561</u>

**Note 41. Events after the reporting period**

On 19 October 2020, the group announced to the ASX that it was undertaking a fully underwritten renounceable pro-rata entitlement offer of 8 shares for every 1 share held by eligible shareholders to raise up to \$18,804,170 (before expenses and subject to rounding) (the Entitlement Offer) and the group intended to use the proceeds of the Entitlement Offer as follows:

- significantly restructure its balance sheet by converting a large proportion of the group's debt to equity; partially pay down the group's existing debt to \$3,000,000;
- inject further funds into the sales team and global panel partnership;
- commercialisation of the group's technology;
- provide working capital for the group; and
- pay the costs of the Entitlement Offer.

On 19 October 2020, the group and its existing lender, Lucerne, entered into a new agreement in respect of its debt facility (the New Facility), which is conditional on the completion of the Entitlement Offer outlined above.

Key terms of the agreement:

- **Debt forgiveness** - following completion of the Entitlement Offer and allocation of funds under that offer against the existing debt, the remaining balance of the facilities (~ \$7,300,000 of debt as at 30 September 2020) will be forgiven;
- **New \$3,000,000 Facility** - replacing the previous facilities will be a new, fully-drawn \$3,000,000 loan facility;
- **Interest on New Facility** - interest rate of 8.5% per annum (payable quarterly);
- **Maturity of New Facility** - 3 years from the date of completion of the Entitlement Offer and payable in advance at the group's discretion;
- **No performance covenants** - the New Facility does not contain business performance covenants; and
- **Performance rights cancelled** - the performance rights that were previously issued to Lucerne have been cancelled.

The New Facility is subject to warranties, indemnities, fees and default fees and terms, which the group considers usual for a transaction of this size and scope.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date;
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- at the date of this declaration, there are reasonable grounds to believe that the members of the Extended Closed Group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in note 37 to the financial statements.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Andrew Edwards  
Non-Executive Chairman

27 October 2020  
Sydney

## Independent Auditor's Report

To the Members of Pureprofile Limited

Report on the audit of the financial report

### Opinion

We have audited the financial report of Pureprofile Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material uncertainty related to going concern

We draw attention to Note 2 in the financial statements, where it is disclosed that subsequent to balance date the Group is undertaking a fully underwritten renounceable pro-rata entitlement offer (the entitlement offer) to raise up to \$18,804,170, the proceeds of which will be used, among other things, to convert a large proportion of the Group's debt to equity, partially pay down the Group's existing debt to \$3,000,000 and provide working capital for the Group. At the date of this audit report the entitlement offer is in progress and therefore the proceeds of the offer have not yet been received by the Group. As disclosed in note 2, the Group incurred a net loss of \$9,829,481 during the year ended 30 June 2020, and as of that date, the Group's current liabilities exceeded its current assets by \$26,585,968.

These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
<p><b>Carrying value of non-current assets, Notes 14, 15 and 16</b></p> <p>At 30 June 2020, the Group's consolidated statement of financial position included intangible assets of \$7,434,547, right-of-use assets of \$2,374,210, and property, plant and equipment of \$187,540.</p> <p>AASB136 <i>Impairment of Assets</i> requires management to perform impairment testing when there are indicators of impairment at each reporting date to ensure that the recoverable amount of non-current assets is greater than the carrying value.</p> <p>There were several indicators of impairment present, including the current period loss, the loss of key contracts within the Media business and the economic environment due to the COVID-19 pandemic.</p> <p>We considered this to be a key audit matter given the value of these assets relative to total assets and the significant judgements and assumptions involved in the application of the value-in-use model used by management in testing non-current assets for impairment.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>Assessing the impairment testing model used by management for compliance with AASB 136, with involvement from our valuation specialists;</li> <li>Testing the mathematical accuracy of the model and assessing the discount rates, with involvement from our valuation specialists;</li> <li>Assessing the reasonableness of the underlying assumptions regarding future cash flows used in the model by comparing these with approved budgets, historical performance, business plans, industry forecasts and other supporting information;</li> <li>Performing sensitivity analysis on the key assumptions, focusing on areas where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount and therefore indicate impairment; and</li> <li>Assessing the adequacy of the disclosures relating to intangible assets in the financial statements, including those made with respect to judgements and estimates.</li> </ul>
<p><b>Capitalisation of development costs, Note 16</b></p> <p>During the year ended 30 June 2020, the Group capitalised \$2,742,880 of costs related to the development of its software assets.</p> <p>AASB 138 <i>Intangible Assets</i> sets out the criteria that are required to be met in order to record intangible assets arising from the development phase of a project.</p> <p>Judgement is required by management in determining if the internal labour and external supplier costs incurred are directly attributable to the developmental projects and the appropriateness of these costs to be capitalised under AASB 138.</p> <p>We considered this to be a key audit matter given the magnitude of amounts capitalised and the significant judgements and estimates involved in determining which costs may be capitalised throughout the life of the project and determining the useful life of the asset.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>Assessing management's assumptions and estimates made in capitalising development costs;</li> <li>Testing, on a sample basis, costs capitalised to the underlying evidence including employment contracts, payroll reports, and invoices from external suppliers to assess the nature and eligibility of development costs for capitalisation as an intangible asset under AASB 138;</li> <li>Assessing the reasonableness of the useful lives attributed to capitalised development costs and evaluating whether amortisation expense was recorded based upon the assigned useful lives; and</li> <li>Assessing the adequacy of the disclosures relating to intangible assets in the financial statements, including those made with respect to judgements and estimates.</li> </ul>

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [https://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](https://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

### Report on the remuneration report

#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 14 to 21 of the Directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Pureprofile Limited, for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Grant Thornton*

Grant Thornton Audit Pty Ltd  
Chartered Accountants



M Coulton  
Partner – Audit & Assurance

Sydney, 27 October 2020

Directors	Andrew Edwards Martin Filz Sue Klose
Company secretary	Kohei Katagiri
Notice of annual general meeting	To be announced
Registered office	Level 5, 126 Phillip Street Sydney NSW 2000
Principal place of business	Level 3, 223 Liverpool Street Darlinghurst NSW 2010
Share register	Automatic Level 5, 126 Phillip Street Sydney NSW 2000 Tel: +61 2 9698 5414
Auditor	Grant Thornton Level 17, 383 Kent Street Sydney NSW 2000 Tel: +61 2 8297 2400
Stock exchange listing	Pureprofile Ltd. shares are listed on the Australian Securities Exchange (ASX code: PPL)
Website	<a href="http://pureprofile.investorportal.com.au">pureprofile.investorportal.com.au</a>
Business objectives	Pureprofile Ltd. has used cash and cash equivalents held at the time of listing, in a way consistent with its stated business objectives.
Corporate Governance Statement	The directors and management are committed to conducting the business of Pureprofile Limited in an ethical manner and in accordance with the highest standards of corporate governance. Pureprofile Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Third Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations. The group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement can be found on the company's website at <a href="http://pureprofile.investorportal.com.au">pureprofile.investorportal.com.au</a>



**Pureprofile Ltd**  
**Shareholder information**  
**30 June 2020**

The shareholder information set out below was applicable as at 30 September 2020.

**Distribution of equitable securities**

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	% of ordinary shares held
1 to 1,000	32	0.01
1,001 to 5,000	149	0.39
5,001 to 10,000	82	0.57
10,001 to 100,000	307	10.52
100,001 and over	175	88.51
	<u>745</u>	<u>100.00</u>
Holding less than a marketable parcel	<u>360</u>	<u>-</u>

**Equity security holders**

*Twenty largest quoted equity security holders*

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
Mr John Darryl May	6,883,031	5.86
Mr Paul Augustine Chan (The Chan Family A/C)	6,202,090	5.28
Apurvam Pty Ltd	5,000,000	4.25
Mrs Judith Swaab	3,921,977	3.34
Wissmar Pty Ltd (The M Kisirwani Fam A/C)	3,592,843	3.06
Super Options Fund Pty Ltd (Super Options Fund A/C)	3,234,340	2.75
FMS Holdings Pty Ltd	2,868,139	2.44
BKLEBS Pty Ltd (The BK LEBSANFT SF A/C)	2,700,000	2.30
Mr Christopher Wayne Lonergan	2,500,000	2.13
Nofusa Pty Ltd (Hersch Family A/C)	2,500,000	2.13
BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient Drp)	2,472,280	2.10
Onnell Pty Ltd (ONM BPSF A/C)	2,411,755	2.05
Mr Malcolm John Badgery	2,000,000	1.70
Edo Lim Sen Yap	1,758,756	1.50
Depofo Pty Ltd (Ordinary A/C)	1,737,333	1.48
Superjuroko Pty Ltd (Juroko Super Fund A/C)	1,671,448	1.42
Miwa Pty Limited (Miwa Superannuation Fund A/C)	1,660,065	1.41
Yucaja Pty Ltd (The Yoegiar Family A/C)	1,625,718	1.38
Vadina Pty Limited (Jordan Super Fund A/C)	1,600,000	1.36
Mrs Alice Jane Li	1,443,984	1.23
	<u>57,783,759</u>	<u>49.17</u>

*Unquoted equity securities*

There are no unquoted equity securities.

Pureprofile Ltd  
Shareholder information  
30 June 2020

**Substantial holders**

Substantial holders in the company are set out below:

	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>% of total shares issued</b>
Mr John Darryl May	6,883,031	5.86
Mr Paul Augustine Chan (The Chan Family A/C)	6,202,090	5.28

**Voting rights**

The voting rights attached to ordinary shares are set out below:

*Ordinary shares*

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.